S. HRG. 101-989

# OVERSIGHT AND REAUTHORIZATION OF THE APPALACHIAN REGIONAL COMMISSION AND THE ECONOMIC DEVELOPMENT ADMINISTRATION

## HEARING

BEFORE THE

SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION, AND INFRASTRUCTURE

OF THE

## COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

## H.R. 2015

A BILL TO AMEND THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 AND THE APPALACHIAN REGIONAL DEVELOPMENT ACT OF 1965

SEPTEMBER 13, 1990

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# CONTENTS

## OPENING STATEMENTS


| | Page |
|---|---|
| Chafee, Hon. John H., U.S. Senator from the State of Rhode Island | 111 |
| Moynihan, Hon. Daniel Patrick, U.S. Senator from the State of New York | 1 |
| Warner, Hon. John W., U.S. Senator from the Commonwealth of Virginia | 15 |


## WITNESSES


| | |
|---|---|
| Aller, Douglas J., Deputy Assistant Secretary for Economic Development, Economic Development Administration, Department of Commerce | 22 |
| Prepared statement | 51 |
| Hernandez-Pinero, Sally, deputy mayor, city of New York | 25 |
| Prepared statement | 57 |
| Phillips, Jacqueline, Federal Cochairman, Appalachian Regional Commission | 3 |
| Prepared statement | 35 |
| Rockefeller, Hon. John D. IV, U.S. Senator from the State of West Virginia | 8 |
| Prepared statement | 41 |
| Wenger, Michael R., States' Washington Representative, Appalachian Regional Commission | 16 |
| Prepared statement | 44 |


## ADDITIONAL MATERIAL


| | |
|---|---|
| Congressional Research Service, memorandum to Senator Moynihan | 30 |
| Pennsylvania Turnpike Commission, statement of | 64 |
| H.R. 2015 | 67 |

# REAUTHORIZATION OF THE APPALACHIAN REGIONAL COMMISSION AND THE ECONOMIC DEVELOPMENT ADMINISTRATION

THURSDAY, SEPTEMBER 13, 1990

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION,
AND INFRASTRUCTURE,
*Washington, DC.*

The committee met, pursuant to notice, at 9:35 a.m., in room 406, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Moynihan and Chafee.

## OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator MOYNIHAN. A very good morning.

This is the first hearing that the subcommittee will have held in the past eight years on the Economic Development Administration. It is the first in 10 years. The fate of this exercise is well understood to most persons. The work begins in the Administration of President Kennedy. I may say I was Assistant Secretary of Labor at the time and was involved both with the Economic Development Administration, Appalachian Regional Commission, and the EPA.

They have not been in favor in the Executive Branch in recent years. The Administration has proposed that it be abolished. The House, however, has continued to try to reestablish the administration and a standoff exists.

President Bush has proposed $50 million to the Appalachian Regional Commission this year, and there is some life in the enterprise, although how much we don't know.

I have a statement which I will include at this point in the record as if read.

Today, we convene the first oversight hearing on the Appalachian Regional Commission in more than 8 years. It is also the first such hearing on the Economic Development Administration since the Spring of 1979.

I believe it worthwhile to point out to those present that this is the Infrastructure Subcommittee of the Committee on Environment and Public Works. Infrastructure. Public works. In between highway and water bills—no small matters—we seem generally to ignore the latter half of our mandate.

These two programs are, and have been, principally public works programs. What John Kennedy saw when he campaigned in West Virginia for the Presidency was an America that had been left behind. Or so it seemed. One in three families below the poverty level. Unemployment 40 percent higher than the national average. No highways bringing commerce and prosperity into the mountains. Insufficient water, sewers, and health care.

Now, it is a simple proposition that you would not want to build a business in an area lacking these necessities. Sustained economic development in Appalachia—or anywhere, for that matter—cannot occur without the necessary infrastructure. Presidents Kennedy and Johnson, and my distinguished predecessors on this Committee, Senator Jennings Randolph of West Virginia and Senator John Sherman Cooper of Kentucky, saw a clear and constructive role for the Federal Government in Appalachia: public works. We could help provide the roads and sewers and water. And we have. More than $3 billion in Federal dollars have been spent on the Appalachian Regional Development Highway System. We have completed about two-thirds of this 3,000-mile system of highways and access roads. We, or course, being the States and the Federal Government—equal partners in a truly federalist solution to the problems of Appalachia.

The mission with the Economic Development Administration is much the same. With the Public Works and Economic Development Act of 1965 (P.L. 89–136), we again recognized that certain areas have persistently lagged behind the rest of the nation. Chronically beset with unemployment, underemployment, low income. And inevitably lacking in the infrastructure necessary for economic development. EDA provides grants for public works and technical assistance to ensure planned, coordinated infrastrucuture development, the cornerstone of long-term economic development.

These two programs, especially the EDA, have suffered from budget cuts and ideological opposition in the last decade. Both ARC and EDA were eliminated from every budget request made by President Reagan. I am pleased to see that President Bush included $50 million for ARC in his fiscal year 1991 budget request, one-third of last year's appropriation. It is a start. Unfortunately, he did not treat EDA likewise.

More so than EDA, ARC has persevered because of the commitment that the States must and do make as part of their partnership. It is a bit of structural security. Morale is low at EDA—but whose wouldn't be if your boss had been trying to fire you for eight years.

The mission of both these programs is no less vital today than it was 25 years ago. Our infrastructure needs are, if anything, more acute today than they were 25 years ago. "Our nation's crumbling infrastructure" is an oft-heard lament in this room. If we are to be competitive we need the proper infrastructure. Local government and development organizations know best what they need; the Federal Government can do its part through EDA.

ARC has made demonstrable, laudable progress, in no small part because of the wisdom of its electorate. Our first witness today would have been the distinguished President Pro Tempore of the United States Senate and Chairman of the Committee on Appro-

priations, Senator Byrd. His deep commitment and outstanding service to West Virginia and to Appalachia is in no small measure responsible for the successes and progress the region has made in the past 25 years. Unfortunately, the pressing matters of the ongoing budget summit at Andrews Air Force Base necessitated the absence of Senator Byrd. We will be, however, joined by the distinguished junior senator from West Virginia, Senator Rockefeller.

We will also hear from Ms. Jacqueline Phillips, Federal Cochair of the Appalachian Regional Commission, who previously served since 1982 as the Commission's Alternate Federal Cochair; Mr. Michael Wenger, the Appalachian States' Representative, who began his own service to Appalachia in the Administration of then Governor Rockefeller.

The Subcommittee will then hear from Mr. Douglass J. Aller, Deputy Assistant Secretary of Commerce for Economic Development. Mr. Aller is testifying in the absence of Ms. Joyce Hampers, who is travelling. Also addressing the Federal commitment to local development will be Ms. Sally Hernandez-Pinero, Deputy Mayor for Economic Development of the City of New York.

Senator MOYNIHAN. We were to have heard and looked forward to hearing from Senator Byrd, who, as we know, for all the enormous care and attention he has given to these problems, is required to be at Andrews Air Force Base. I find myself saying he is at Fort Andrews under guard. I don't think Senators should allow themselves to be placed under guard by the emperor, but that they have done.

Senator Rockefeller will be a few moments late. In that case, we will hear from our first witness, Jacqueline Phillips, who is the Federal Cochair of the Appalachian Regional Commission.

Good morning, Ms. Phillips.

Ms. PHILLIPS. Good morning, Senator.

Senator MOYNIHAN. We are happy to have you. If you don't mind, if Senator Rockefeller does arrive I'll ask that he——

Ms. PHILLIPS. Of course.

## STATEMENT OF JACQUELINE PHILLIPS, FEDERAL COCHAIRMAN, APPALACHIAN REGIONAL COMMISSION

Ms. PHILLIPS. Mr. Chairman, thank you for the opportunity to present a brief overview of the current operations of the Appalachian Regional Commission and to comment on the authorization legislation being considered by this subcommittee.

Mr. Chairman, in the interest of time I will keep my remarks very brief. I have a full statement——

Senator MOYNIHAN. Which we will place in the record.

Ms. PHILLIPS. Thank you.

Over the past 25 years, ARC has accomplished many of the specific objectives it set out for itself. Two-thirds of the 3,000 mile Appalachian development highway system is complete or under construction, with 910 miles remaining to be completed. Two million new, private sector jobs have been created in the region, with many of these new jobs directly linked to ARC activities.

The $147.9 million appropriated for the Commission for fiscal year 1990 supported three major program areas. First, we are

moving toward completion of the Appalachian development highway system. Since 1965, Congress and the Appalachian States have placed top priority on building a modern highway system to lessen the region's isolation, to link commerce and industry to markets, and to make health care, education, and other community services accessible to the region's people.

By the end of fiscal year 1990, 2,126 miles of the 3,025 miles authorized by Congress are expected to be complete or contracted for construction. Of this total, fiscal 1990 funds provided approximately 28 new miles.

Second, we are supporting a wide range of economic and community development programs. The non-highway program is designed to help the region achieve a diversified economic base which will create more job opportunities and stimulate public and private investments.

Among a wide range of projects receiving assistance in this program category are infrastructure projects such as water and sewer system improvements, job-related training programs to improve the immediate and long-term job prospects of the people of the region, computer literacy programs, employer-related childcare programs, affordable housing for low and moderate income families, industrial enterprise and development programs, and local government assistance demonstrations.

Third, we are continuing to assist in the construction of basic facilities in the region's poorest or severely distressed counties. Since 1983, ARC has provided special funds for the region's poorest counties. In fiscal year 1990, 90 counties qualified for distressed county status on the basis of low per capita income and high rates of poverty and unemployment. This program provides badly needed public facilities—especially systems to furnish clean drinking water and waste disposal to maintain a healthier environment.

Under previous ARC guidelines, most of these counties were too poor to provide the match required for Federal assistance to fund these facilities.

Senator, as you said, it has been over 10 years since the Appalachian Regional Commission has had authorizing legislation passed by Congress. During this time, the Commission has been existing and operating through the appropriations process.

The only change that has been made in the Appalachian Regional Development Act of 1965 and since passage of the authorization bill in 1979 was the fiscal 1988 Appropriations Act, which removed restrictions in section 224(b). The significant effect of this change was to remove the restrictions on use of ARC funds for private enterprise. The restriction in 224(b)(1) on the use of funds to assist business relocation remains in effect.

The Appalachian States have been able to adapt to reduced funding through a variety of measures, including increases in their non-highway project match shares from 20 to 50 percent. To achieve this higher match requirement, States have utilized local and private, as well as State funds. An exception to this is the match required of designated severely distressed counties, which remains a 20 percent match for those counties.

These matching requirements for non-highway grants with which ARC is complying are contained in H.R. 2015. As a practical

matter, virtually all of the program aspects contained in H.R. 2015 are already mandated by the law and are being implemented by the Commission. The only significant departure from the ARC's current program contained in H.R. 2015 is the ratio of highway to non-highway funding.

The bill proposes a ratio of about 80 to 20 percent in favor of highways. Our historic funding ratio between the two programs has been closer to 60 to 40 percent in favor of highways.

If H.R. 2015 were presented to the President in its current form, I would recommend that the bill be disapproved. I cannot speak for the Administration on the EDA portion of the bill, but as to the ARC portion of the bill, it is my understanding that the Administration would not object to the enactment of H.R. 2015 if it were amended to limit appropriation authorization for the Appalachian Regional Commission to $50 million in fiscal year 1991, $52 million in fiscal year 1992, and $53 million in fiscal year 1993.

Senator, I thank you for this opportunity to give my report on ARC and present my views on H.R. 2015. I'll be glad to answer any questions you have.

Senator MOYNIHAN. We thank you, Ms. Phillips. In your next-to-the-last paragraph you say that you'd recommend that H.R. 2015 be disapproved. You say you can't speak for the Administration, but then you do speak for the Administration.

Ms. PHILLIPS. No. I can't speak for the Administration on the EDA portion of the bill.

Senator MOYNIHAN. EDA?

Ms. PHILLIPS. That's right.

Senator MOYNIHAN. So you are speaking, in effect, for them? You're telling us what they would like.

Ms. PHILLIPS. On the ARC portion of the bill only.

Senator MOYNIHAN. That's what we're trying to find out. Then you wouldn't object if the highway ratio were changed as long as the authorization was kept at that $50 million? Is that what you're saying?

Ms. PHILLIPS. They would not object if the authorization was at the $50 million level.

Senator MOYNIHAN. But the bill also changes the highway ratio.

Ms. PHILLIPS. Well, I was just letting you know what our historic ratio has been.

Senator MOYNIHAN. So you'd sign the bill anyway if the authorization——

Ms. PHILLIPS. I don't think that is a major consideration.

Senator MOYNIHAN. That's not a major consideration because it wouldn't——

Ms. PHILLIPS. I would say that the historic ratio is a strong preference.

Senator MOYNIHAN. It is a strong preference. Okay.

I have just one question, which is: do you have any data on population changes in the 1980s in the region?

Ms. PHILLIPS. Well, basically the out migration was stopped. I'm sure we have some firm figures, but we are looking for the preliminary census reports to come in. We are very anxious to see how they correlate with the things that we know.

The out migration has been slowed and stopped, and I think the data is 21 million. I don't see our economist here, but I think there are about 21 million people in the region.

Senator MOYNIHAN. If you would provide us that by whatever unit you maintain the records?

Senator Rockefeller has arrived.

I read, did I not, that West Virginia lost 8.7 percent of its population?

Ms. PHILLIPS. Yes.

Senator MOYNIHAN. If they didn't out—did they go to other parts of Appalachian?

Ms. PHILLIPS. A lot of West Virginia people went to North Carolina to work, but not necessarily only in our region. We can get that data for you broken down by State, if you'd like that.

Senator MOYNIHAN. Would you do that?

Ms. PHILLIPS. Of course.

Senator MOYNIHAN. We'd appreciate that very much. Thank you.

Ms. PHILLIPS. Absolutely.

[The information requested follows:]

## Change in Appalachian Population, 1980-88 by State Part

| Appalachian Part | 1980 Pop. | 1988 Pop. | Percent Change 1980-88 |
|---|---|---|---|
| Alabama | 2,430,223 | 2,564,392 | 5.5 |
| Georgia | 1,103,964 | 1,443,831 | 30.8 |
| Kentucky | 1,077,095 | 1,084,253 | 0.7 |
| Maryland | 220,124 | 219,905 | -0.1 |
| Mississippi | 482,710 | 501,412 | 3.9 |
| New York | 1,083,241 | 1,068,859 | -1.3 |
| North Carolina | 1,217,732 | 1,313,891 | 7.9 |
| Ohio | 1,262,558 | 1,275,983 | 1.1 |
| Pennsylvania | 5,994,240 | 5,844,033 | -2.5 |
| South Carolina | 793,039 | 861,730 | 8.7 |
| Tennessee | 2,073,737 | 2,171,938 | 4.7 |
| Virginia | 549,888 | 539,559 | -1.9 |
| West Virginia | 1,950,186 | 1,876,752 | -3.8 |
| Region Total | 20,238,737 | 20,766,538 | 2.6 |

## Appalachian Net Migration by State 1980-1988

| Appalachian State Part | Net Migration 1980-88 | Migration as % of 1980 Population |
|---|---|---|
| Alabama | 29,534 | 1.2 |
| Georgia | 257,429 | 23.3 |
| Kentucky | (39,300) | -3.6 |
| Maryland | (4,116) | -1.9 |
| Mississippi | (8,443) | -1.7 |
| New York | (52,912) | -4.9 |
| North Carolina | 62,729 | 5.2 |
| Ohio | (39,375) | -3.1 |
| Pennsylvania | (246,659) | -4.1 |
| South Carolina | 29,797 | 3.8 |
| Tennessee | 34,218 | 1.7 |
| Virginia | (20,744) | -3.8 |
| West Virginia | (122,150) | -6.3 |
| Region Total | (119,992) | -0.6 |

Senator MOYNIHAN. Thank you very much. That was very clear, and I think we see how we can go forward now.

Ms. PHILLIPS. Thank you, Senator.

Senator MOYNIHAN. Senator Rockefeller is here. We welcome you, sir. We know that your senior colleague, as I said, is out at Fort Andrews under armed guard. But at least you are still free. We welcome you, sir.

## STATEMENT OF HON. JOHN D. ROCKEFELLER IV, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Senator MOYNIHAN. We have your statement and will put it in the record. You do entirely what you wish. We are very happy to have you.

Senator ROCKEFELLER. As it occurs to me.

In fact, we have lost 187,000 people. As somebody put it recently in debate, 17 counties worth of West Virginians have left. They used to go to Texas; now they tend to go to the Carolinas. They want to come back, but the jobs aren't there.

Our unemployment rate has gone down. It is so deceptive. When I was governor, as you have heard me say many times, in 1982 and 1983 our unemployment rate was 21 percent—not pretty. It is now down to the 6 or 7 percent level, but that's very deceptive because people have left.

Senator MOYNIHAN. That represents the change in the labor force.

Senator ROCKEFELLER. That's right.

Mr. Chairman, you know without my saying so that I am incredibly grateful to you for this hearing, as is Senator Byrd, who obviously would be here if he weren't out at Andrews, hopefully not doing too much to Medicare, but that's another subject.

I continue to think that this program is in the Nation's interest. There are those who say that this is special interest legislation—and indeed it is. And there is a reason for it. The reason is that when you—in West Virginia, for example, where 4 percent of the land is flat, where we are basically shielded from the prosperity of the Washington/Baltimore area, and from the prosperity of the areas to the west of us by mountains, it is very hard.

So every year that I have come to the Senate—the first thing I did, in fact, when I came to the Senate in 1985 was introduce a reauthorization bill. I passionately believe in the Appalachian Regional Commission. I know exactly the kinds of differences it has made through being governor for eight years, which gives you such an intimate view of black lung clinics and health clinics and, of course, highways, which is very basic—so incredibly basic.

The point that I guess I would like to make is that we still have one-third of our highway system to complete in the Appalachians in the 13 States in the 397 counties. I brought along that map, Mr. Chairman, only to show what I consider the idiocy of the highway situation. The yellow is what is not done; the blue is what is done.

Back in 1965 there was a compact made—Senator Randolph, Senator Cooper, signed by the President, special legislation—to build 3,000 miles of highways. The reason was that the region is land-

locked. Unless we can get in and out, then commerce cannot either get in or out. Good, two-lane roads mean nothing these days; they have to be to interstate standards, to corridor standards.

Wherever you look—for example, if I can wander over to the map, I'll just make one point.

Senator MOYNIHAN. Do so. Your point is made by the color coding, isn't it?

Senator ROCKEFELLER. Here is Baltimore. Here is Washington. Here is West Virginia. This corridor, for example, represents more than half of West Virginia. It can open up all these counties between I-64 and corridor E. And there is no other way that these counties will have a future.

Senator MOYNIHAN. Yes.

Senator ROCKEFELLER. We will continue to lose populations because nobody can get over the mountains and through the mountains into the State. You cannot get in or get out.

Up here in the Eastern panhandle there are no mountains. I can be there from my house in Washington in an hour and a half with five stop lights on Connecticut Avenue because there are interstates and no mountains.

Three percent unemployment, 2.5 percent unemployment, massive unemployment and real trouble.

Senator MOYNIHAN. And out migration.

Senator ROCKEFELLER. Yes.

So we have this overwhelming need for highways. People say everybody needs highways. You need highways in New York State. Everybody needs highways.

It is simply that without the corridors, there will be no future for the State. I believe that.

I would almost conclude by saying that 81 percent of all of the jobs created in Appalachia as a whole in the 13 States from May of 1982 through 1986 or 1987 were created within a short distance of either interstates or corridors. It is sort of a case shut situation in terms of job development—81 percent.

Senator MOYNIHAN. This is most graphically the case in this system, but it is generally the case throughout the country. What the railroads did in the 19th century, the interstate did in this. If the railroad didn't come to your town, then nothing happened to it in the second half of the 19th century.

Senator ROCKEFELLER. Right. At the pace that we are going, Mr. Chairman, in the 1980s when the ARC was rescued constantly by this committee and by this Congress and it was zeroed out by the Administration—at the pace that we are now going, of those corridors which were a national commitment back in 1965, the remaining 1,000 miles will be completed by the year 2065. That's the rate at which we are going.

Senator MOYNIHAN. There are two things. I don't mean to interrupt you. As you know, I was involved in that 1965 agreement. I was Assistant Secretary of Labor for Policy, Planning, and Research. We made this big decision on what to do when we sought the ARC. You were working in West Virginia then. The decision was to make it highways, and it wasn't the most obvious decision.

But if you look at your map, you see all those highways with those little bridges. The bridges just have a little bit missing in the

middle, which doesn't make much of a bridge if it stops at a certain point.

Senator ROCKEFELLER. That's right.

Senator MOYNIHAN. You say New York State needs highways. As a matter of fact, we don't, except the one highway which we can't get finished, which is the Southern Tier Expressway, which is in the Appalachian Region. When Governor Harriman was in office, I was his assistant, and we were talking about the Southern Tier Expressway. We're still talking about the Southern Tier Expressway. It's got chunks. It looks like one of your areas down in the lower left there.

You do know that we have a surface transportation bill coming up next year, and we have finished the interstate highway system. There are a few chunks under court orders and disputes. So we will have about $3 billion per year of money that is not now allocated to maintenance and for which there are not segments of the interstate system remaining such that we can finish this thing. But I'd like to see us by statute get this reauthorized. It is not now. You are nice to say our committee has been very helpful. Senator Chafee is a very strong supporter of this program. [Laughter.]

Senator MOYNIHAN. But I thank you very much for your comments.

Senator Chafee is here, and I would welcome him and ask if he'd like to say something to our colleague, but also to note that——

Senator ROCKEFELLER. Something kinder and gentler, perhaps.

Senator MOYNIHAN. President Bush has requested funds——

Senator ROCKEFELLER. Yes.

Senator MOYNIHAN [continuing]. For the ARC in his budget. This is new. This is an agreement in effect with eight years of Congressional action saying we want this program.

Senator ROCKEFELLER. In fact, Mr. Chairman, if I may——

Senator MOYNIHAN. Please, sir.

Senator ROCKEFELLER. Ten days after he was sworn in as President, Senator Byrd and I were lucky enough to have lunch with him in the little room off the Oval Office, in which I had never been and in which you have been many times. We put basically this map in front of him. That's Alabama, Mississippi, and the bottom of New York State. It is a lot more than he knew. He had no reason particularly to know a lot about the Appalachian Regional Commission, but I think he does understand that now.

We did talk about the need for surplus funds in the Highway Trust fund or the $3 billion which will not be necessary. As you know, Senator, I have introduced a bill which has sort of a 10-year approach, and Senator Byrd and I have introduced a bill which is sort of a jump start approach. We really, really want to get those highways done.

Senator MOYNIHAN. It has only been 30 years.

Senator ROCKEFELLER. Yes.

Senator MOYNIHAN. You are not exactly demanding instant gratification. We started this program in 1961. You were a youth. I remember. I could even remember when I was middle aged.

Senator Chafee, here's your chance to support the President and a great regional America. If only we could figure out a way to get Watch Hill in there.

## OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator CHAFEE. Mr. Chairman, I have a statement that I will place in the record.

[Senator Chafee's statement follows:]

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Mr. Chairman, I want to join with you in welcoming our witnesses this morning. It has been many years since the committee has held a hearing to review the Appalachian Regional Commission and Economic Development Administration Programs. I commend the chairman for holding this hearing.

The committee has not authorized these programs since 1982. Funding has been provided by the Appropriations Committee.

I have some reservations about the role of the Appalachian Regional Commission [ARC] in 1990, and believe there continue to be strong arguments against reauthorizing the program as it is currently structured. When the Commission was created in 1965, there were good reasons to provide extra resources to the Appalachian region because of its extreme poverty and inadequate public facilities. But I do not believe it was created with the intent that it would continue in perpetuity. Rather, I would hope that it was envisioned as a short-term program that would give the Appalachia area special attention and resources to improve conditions in that region. If the program has been successful, it is time to phase it out. If it has not been successful after 25 years, it is time to end the program and find an alternative that does address the problems in the Appalachian region.

The Appalachian region has benefited not only from 25 years of the ARC programs, but also from many other Federal programs which have been established since 1965 and which are aimed at improving education, nutrition, housing, health care, public facilities, and other needs of such areas.

Times have also changed around the country. There are now counties scattered all over the country which are experiencing economic distress similar to. or worse than, the Appalachian counties. At the same time, there are regions in the Appalachia area which are doing very well and have strong economies.

In these times of large budget deficits and competing demands for scarce resources all over the country, we must take a hard look at where our Federal dollars are going. My fellow committee members are well aware of my position with regard to the Economic Development Administration [EDA]. EDA is a program whose time has come and gone. Created in 1965 to promote the recovery of distressed areas, the Agency has funded a hodge podge of pork barrel projects, accumulated a portfolio full of loans in default, and recorded a checkered history of job creation.

The record speaks for itself. The very committee which oversees EDA, this committee, has not seen fit to reauthorize the program since 1982. From its inception, the program has been wracked by fraud and mismanagement.

I offered an amendment to delete funding for EDA in 1985. That effort was defeated, with my opponents arguing that you should not throw away a program simply because there have been abuses. And I agree. We made a commitment then to exercise special oversight on EDA's programs. But there has been little change.

It is clear that EDA funds are being targeted to projects that in only small measure address the problem of regional economic disparities. The mission of EDA is to create job opportunities for the unemployed and underemployed in areas of high economic stress. Yet, as I understand it, almost 90 percent of the American people reside in communities eligible for EDA assistance.

In the fiscal year 1991 budget, the President proposed terminating the Economic Development Administration. I support that effort. EDA is an agency that has been cut back over the years, and yet the horror stories continue. The time has come to direct our limited Federal resources elsewhere.

In the event that Congress decides to fund the program, however, it is important for this committee to do all it can to ensure that our Federal dollars are being spent efficiently and effectively.

So once again, I commend the chairman for holding this hearing today, and I look forward to hearing from our witnesses.

Senator MOYNIHAN. The President wants this program.

Senator CHAFEE. I question whether he wants it, but he included it in his budget. How much did he put in?

Senator MOYNIHAN. Fifty.

Senator CHAFEE. Fifty? And how much are you asking for?

Senator MOYNIHAN. Fifty.

Senator CHAFEE. Fifty? What was it last year?

Senator MOYNIHAN. We haven't had an authorization.

Senator CHAFEE. No, but they have had appropriations every year. They don't bother with authorizations.

Senator MOYNIHAN. It was less.

Senator CHAFEE. Fourteen. Much less. Is that right?

Senator MOYNIHAN. One forty seven.

Senator CHAFEE. Oh, 147.

Senator MOYNIHAN. It was more.

Senator CHAFEE. That's some progress. I sort of had the feeling Senator Byrd was conducting his own Appalachian Regional Commission program in the Appropriations Committee.

Senator MOYNIHAN. I can't imagine why you would think that.

Senator CHAFEE. Well, I'm sorry to have missed Senator Rockefeller's testimony because he always does a good job. Privileged we both are to serve with him on the Finance Committee, where he has taken great interest in the medical area and other areas, likewise.

I'll look over the material and try to rekindle—rekindle wouldn't be accurate. We'll try to light a slight flame of enthusiasm for this program. [Laughter.]

Senator MOYNIHAN. That's as much as we'd expect of a man of a most distinguished Puritan lineage—a cold, blue flame.

May I just make the point and ask if Senator Rockefeller wouldn't agree if—Senator Chafee, you've been a Governor, as well—that there is a point, sir, in this map—I mean, we started that highway system 30 years ago, and we just haven't finished it. There are huge chunks of it which are missing—it really doesn't have its full utility until it is completed. It is, in that sense, like a railroad or a bridge. It is only when the whole thing is done that we get the utility.

Senator CHAFEE. On that thesis you could thus say that it should be connected somewhere else when it ends at the edge of this map. After all, on the policy you are embarking on, if you build two miles of road you thus must build 3,000 of it because it doesn't connect somewhere. It doesn't connect with San Francisco.

Senator MOYNIHAN. I so argue. Yes.

Senator ROCKEFELLER. Senator Chafee, all of the corridors are connected to interstates. That's the entire philosophy of them—to create the grid which gives us an advantage over our mountains.

Senator MOYNIHAN. I took part in the decision to build this in 1965 and those little, yellow dots are the equivalent of a section of railroad track that is not there.

Senator CHAFEE. Mr. Chairman, I have a feeling that we are just going through a charade here anyway, because no matter what we do the Appropriations Committee goes ahead and appropriates the money anyway. We haven't reauthorized this program in X number of years; am I correct in that?

Senator MOYNIHAN. You're right. Since 1979.

Senator CHAFEE. Since 1979. So every year they go ahead and appropriate the money anyway.

I'd just say this: I don't understand how these particular areas which, over the years, have received so much Federal money yet continue to be depressed areas. West Virginia has real problems.

We have had excellent Senators here. Your predecessor served, as you well know, as the distinguished chairman of this committee for many, many years. Senator Jennings Randolph took care of West Virginia, as did Senator Byrd. And you, as governor, worked extremely hard. It was a good team. And yet the problems continue. I don't know what the solution is. I know it is perhaps not a subject before this committee, but sometimes you wonder whether Federal aid is the answer to these problems.

Do you have any thoughts on that?

Senator ROCKEFELLER. I do, Senator Chafee. And I understand exactly your thinking, and I understand exactly the thinking of others who have parts of their States and their regions which are suffering. This happened to be a national commitment made back in 1965. I guess just before you came in I said that throughout Appalachia during the 1980s, 81 percent of all the jobs that have been created have been created within relatively short distances—within counties, for example—of either an interstate or a corridor. We are landlocked. That is why it is called the Appalachian—it is landlocked area. In West Virginia we are completely shut off from the east and the west so that the corridor system and the completion of the corridor system is the closest way to taking what—now in West Virginia, for a family of four, the average income is below the national poverty level, primarily because there are insufficient jobs. Jobs only come with four-lane highways now. That is statistically proven, and that is what we are trying to complete.

Senator MOYNIHAN. Could I say to my——

Senator CHAFEE. Could I ask one other question on the same subject?

Senator MOYNIHAN. Sure.

Senator CHAFEE. As I understand this—and perhaps staff can correct me here—when we make the ARC authorization, it isn't solely for highways though; is that right?

Senator ROCKEFELLER. That is correct. We've talked about black lung clinics and health clinics and vocational education and other things. The highways is the greater majority of the funds. And it costs in Appalachia now, in my State, about $15 million to build one mile of corridor.

Senator CHAFEE. Well, again, I know that the Federal Government has been extremely generous to West Virginia, and I guess the discouraging part is, reiterating my previous comments, that it doesn't seem to have done all that much good.

Senator ROCKEFELLER. It has done some good, Senator, and the Federal Government had been generous, but, again, because of our topography—States in the Northeast or the Southwest have done well in other ways by the Federal Government through air bases and military installations because of large availability of tracts of land, etc., but we have not one single one in West Virginia. So we have done well in some ways by the Federal Government, and not so well in other ways. God had a hand in that simply by the way he created the land. You couldn't put an air base in West Virginia.

Senator MOYNIHAN. Don't challenge.

Senator CHAFEE. I was going to ask if that was a promise you won't try.

Senator ROCKEFELLER. Yes.

Senator MOYNIHAN. Can I make a general remark about this? Senator Chafee, you raised an absolutely accurate question. There is no modern industrial country that doesn't have its Appalachia. None. The Norwegians have it. The British have it, the French have it, the Germans have it, the Italians have it, and we have it.

These are areas where the standard of living was not very different from other standards of living when the other regions took off. West Virginia wasn't conspicuously more poor than Rhode Island in the 18th century. Well, Rhode Island has always been more advanced, but say the coastal plains. It became such when the industrial revolution changed things.

You've got four areas of poverty in this country. Each has it own unique quality. One right here is Appalachia. It is a combination of terrain. I think. I'm not that familiar with it, but I think the basic fact is that those coal mines were all owned in Boston and New York and nobody gave a damn about the people who worked them. It was never an agricultural region. It was industrial. It had an industrial work force without an industrial infrastructure.

In the annals of exploitation, you have never seen anything quite the case of just plain expropriating greed as coal. Oil comes out of the ground effortlessly; not coal.

Isadore Lubin in 1924 wrote a great book called Miners' Wages and the Cost of Coal. He demonstrated the extraordinary degree to which coal could sell at any price and miners' wages were kept dog dirt. They just were. And the people who owned the mines didn't live among the miners.

I have to say that I remember the campaign in 1960. People came back from the West Virginia campaign not believing how dirt poor people were there. One third of the population in West Virginia had a high school education, and then they didn't know how poor they were. Their politics weren't very enlightened, and their results were just miserable.

Down here, look at those. That's the Delta. That is good country. That should be rich country. People should be living rich there, but they have hated and hurt each other for so long they just can't do it. The Delta should not be poor, but it is poor.

Over here you have the border. That's how you treat Mexicans in this country.

And up here that's Indians.

These three things are ethnic, and that is economic.

In the end, what these things have mostly done—I don't know. I'm sure people in this room would know a lot more—but they have resulted in a lessening of population. But the remaining population is stabilizing at a very acceptable level. I think you'll find that's true in Northern Norway, Scotland, and Wales. Wales was a mining district that had much the same qualities. It was Scotch-Irish in West Virginia. Welsh in Britain did the mining and the mines were owned in London. The result was not to be believed and the conditions.

I think we have done well enough, all considered, and I think we should finish what we began. I think we are within sight of doing that.

Senator Rockefeller, I want to thank you, sir. You've given your life to date to this exercise. I, for one, want to stick with you.

Senator ROCKEFELLER. Thank you, Mr. Chairman. Thank you for your eloquence.

Senator MOYNIHAN. Senator Warner has submitted a statement and we will include it at this point in the record.

[The statement follows:]

OPENING STATEMENT OF HON. JOHN W. WARNER, U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

Mr. Chairman, and members of the subcommittee on Water Resources, Transportation and Infrastructure, I am pleased the committee is today holding this hearing on the reauthorization of the Appalachian Regional Commission and the Economic Development Administration. In the current Congress three Appalachian States are represented on this committee: New York, Ohio, and Virginia.

The Appalachian Regional Commission and the Economic Development Administration were both created by this committee in 1965, at a time when social programs were considerably expanded to meet the problems of underdeveloped or economically deprived regions of the nation.

For the first fifteen years of their existence, the Appalachian Regional Commission and the Economic Development Administration were strong, viable programs which contributed to the economic growth of depressed regions of the country. For a number of reasons their vitality diminished in the late 1970's.

The proposed fiscal year 1991 budget contains a $50 million appropriation for the Appalachian Regional Commission. The authorization for both the Appalachian Regional Commission and the Economic Development Administration expired in 1982. The Appropriations Committees have continued to fund both these agencies. Since 1982 the House Committee on Public Works and transportation has approved authorizing legislation for both agencies in every Congress. The Senate has never acted on these bills. The current House bill, H.R. 2015, was approved by the House on April 4, 1990.

The Appalachian Regional Commission was created to address the severe economic problems of the 13-State Appalachian region. Dramatic progress has been made by the Appalachian Regional Commission, in which over $5 billion ($3 billion for highways) has been spent since 1965. Per capita income has risen, out-migration has been reversed, basic health care has been extended, and nearly two million jobs have been created.

The Commonwealth of Virginia has received much assistance from the Appalachian Regional Commission programs. During fiscal year 1989, Virginia received in the highway program a total of $2,660,598. In the area development program, Virginia received the following: Health—$50,000, Community Development—$4,104,167, Enterprise Development—$159,450, Local Development Districts—$253,000, and in the Research, Technical Assistance area—$60,000. The total non-highway funds were $4,626,617. When added with the highway funds, Virginia received a total of $7,287,215.

I do hope the Congress will appropriate the necessary funds for these two agencies to continue their programs for the 13-State Appalachian region. The Economic Development Administration has continued to generate new jobs and has protected existing employment in economically distressed areas of the country. In fiscal year 1990, Economic Development Administration appropriations were $189 million in grant funds. A similar amount will probably be appropriated in fiscal year 1991.

I thank the Chairman and the committee for holding this hearing today concerning these two vital agencies that have contributed a great deal to alleviating some of the severe economic problems of the region. There is still much work to be done in this region. Therefore, these two agencies will need to continue to receive the appropriate funds to combat the distressed areas of the Appalachian region.

Senator MOYNIHAN. We are now going to hear from Mr. Michael Wenger, who is the State Representative. It says States Washington Representative. What does that mean? Is that a title?

Mr. WENGER. Yes, it is. It's a cochair.

Senator MOYNIHAN. Why didn't you say that?

**STATEMENT OF MICHAEL R. WENGER, STATES' WASHINGTON REPRESENTATIVE, APPALACHIAN REGIONAL COMMISSION**

Senator MOYNIHAN. Mr. Wenger, good morning.

Mr. WENGER. Good morning.

Senator MOYNIHAN. It doesn't say where you are from, sir.

Mr. WENGER. Well, I was born and raised in Brooklyn. I spent most of my——

Senator MOYNIHAN. Now the most depressed area probably in America.

Mr. WENGER [continuing]. I spent most of my adult life in West Virginia, and I now live in Maryland.

Senator MOYNIHAN. We welcome you, sir.

Would you tell us exactly what your position is? It is not described very well in our——

Mr. WENGER. I'd be happy to.

The Appalachian Regional Commission, as you are well aware, is a partnership between the States and the Federal Government. The President appoints——

Senator MOYNIHAN. Would you hold one minute?

Mr. WENGER. Sure.

Senator MOYNIHAN. I'd like to stand in recess for just two minutes.

[Recess.]

Senator MOYNIHAN. The committee will come to order again.

Sir, when we last heard, you were living in Maryland.

Mr. WENGER. Well, Mr. Chairman, you asked what my job is, and, as you are aware, the Appalachian Regional Commission is a partnership between the Federal Government and the 13 Appalachian States. The President appoints a Federal cochairman—currently Ms. Phillips—who represents the interest of the Federal Government at the Commission on a full-time basis. The Governors, in 1965, when the Commission was created, decided they needed a permanent presence in Washington to protect and promote the States' collective interests at the Commission, and so they created the Office of the States Washington Representative. At that time it was called States Regional Representative. That is the job that I hold today representing the Governors of the 13 Appalachian States at the Commission.

Senator MOYNIHAN. Please proceed with your testimony, which we'll put in the record. You proceed exactly as you want.

Mr. WENGER. Thank you.

I had hoped, Mr. Chairman, that Governor Casey of Pennsylvania, who is this year's States cochairman, would be here; however, he is campaigning for reelection and he had several conflicts today. In fact, six of our Appalachian Governors, including our current States cochairmen, our immediate two past States cochairmen, and next year's States co-chairman are all involved in campaigns for reelection which, Mr. Chairman, accounts for my presence here this morning.

Senator MOYNIHAN. Don't feel badly. It was an election campaign that created this enterprise.

Mr. WENGER. Exactly so.

I can assure you, however, that all 13 Governors, as evidenced by resolutions they have adopted, by their continuing involvement in the program, and by their attendance at our meetings, fully and enthusiastically continue to support the programs and the ongoing work of the Commission. We had a meeting of Governors recently in Mobile. Twelve of our 13 Governors were in attendance. In recent years at our Governors' meetings we have had 10, 11, and 12 Governors at each meeting, which I think testifies to their interest.

They support it because of the enormous accomplishments over the past 25 years and they support it, I think, because, in the words of the distinguished junior Senator from West Virginia, the former Governor, for whom I had the privilege of working for several years, and who served as ARC's States cochairman in 1980, and he said, "It is simply the best government program with which we deal."

The reason for the Commission's existence, I think, and continued existence, is best shown by the map that you were referring to a few minutes ago—this map which shows the concentration of distressed counties in central Appalachia. To me, the level of poverty, the level of economic distress shown on that map is the best argument for the continuation of the Commission.

Governor Casey said earlier this year in congressional testimony that the beauty of the Commission is that it is flexible enough to allow each Governor to focus resources in a way that most effectively addresses these problems in his or her State.

I continue to quote him:

> The ARC was conceived nearly 25 years ago, largely as a result of this committee's leadership, I might add, as a unique partnership between local, State, and Federal Governments to ensure that Federal assistance would be guided to where it was most needed and would have the greatest impact. It was designed to return authority and responsibility to State and local governments and to address local needs within the context of overall national goals and individual priorities.
>
> The Commission has had the flexibility to respond quickly and effectively to a wide variety of economic development issues.

As he concluded,

> While much remains to be done, by any reasonable and objective measure the ARC has been a key factor in the enhancement of economic growth and improved quality of life in Pennsylvania and throughout the regions.

I would refer to the highways which were discussed a few minutes ago, the network of health care clinics throughout the region from New York to Mississippi, the network of vocational education schools throughout the region from New York to Mississippi, the infrastructure—water and sewer systems, and the like—which have been built in the region and which have resulted in more than two million private sector jobs created since the creation of the Commission in 1965.

I think equally important is the ability of the Commission to respond quickly. When Governor Rockefeller entered office in 1977 and I came with him as the Director of Federal/State Programs for the Governor's Office, we hadn't been there two months and there were enormous floods in Southern West Virginia and Eastern Ken-

tucky, and we needed assistance immediately. The first place we turned was to the Appalachian Regional Commission. Unlike other agencies in Washington which take 6, 8, 10, or 12 months or longer to respond, the Commission turned around and responded in a matter of weeks to the needs that we had in Southern West Virginia and Eastern Kentucky.

Just earlier this year there were floods in Shadyside, Ohio. The Commission responded again. It is that kind of responsiveness which I think characterizes the Commission and is unique to the Commission.

H.R. 2015, which passed the House by a record margin earlier this year, would enable us to continue this work and would mark a new beginning for the Commission of formal, multi-year authorization which we have not had since the end of fiscal year 1982. We have absorbed, Mr. Chairman, more than our share of budget cuts. We have been cut by about two-thirds since the Carter years. But it is a measure of the strong, bipartisan support for the Commission among the Governors and in the Congress that, despite the opposition of the Reagan Administration, the Commission has survived and continues to do what the Congress mandated it to do 25 years ago.

I might add that the Governors have welcomed the new flexibility in the Bush Administration, but also believe that the funding requested by the Administration is woefully inadequate to complete the job that needs to be completed.

As Senator Rockefeller said earlier, at the current level of funding the system of highways would not be completed until the year 2065, and that takes no account of inflation.

So we believe that the Commission needs to continue. The Governors support H.R. 2015. We also believe that additional money for non-highway programs could be well used in the region. There is a continuing urgency for this program.

Mr. Chairman, I might say that we have come a long way. But, as you were referring to the exploitation of this region a few minutes earlier, Appalachia has come a long way, but we're still not playing in Appalachia on a level playing field.

We were talking about Federal funding earlier. Appalachia receives approximately 70 to 80 percent of the U.S. per capita average of Federal assistance, even with the Commission. The defense expenditures in the region are somewhere in the neighborhood of 0.4 percent of the defense expenditures in the Nation. We have considerably more than that in population. Most of those expenditures are in the Huntsville, Alabama area.

So, Mr. Chairman, on behalf of the Governors of the 13 States, I'd like to express our deep gratitude for your continued support of the Commission and our gratitude for this opportunity to appear before you. I'd be pleased to try to answer any questions that you might have.

Senator MOYNIHAN. I have one question, sir, which I think, in all truth, we need to ask ourselves, which is: why did the previous Administration wish to abolish the program?

Mr. WENGER. Why did they wish to abolish it?

Senator MOYNIHAN. Yes. They had reasons.

Mr. WENGER. I'm probably not the best person to answer that question, Mr. Chairman.

Senator MOYNIHAN. You ought to be.

Mr. WENGER. They stated different reasons.

Senator MOYNIHAN. You are here in Washington where no one in the Executive Branch believes in this program. Mr. Bush put the money in because the chairman of the Appropriations Committee came down and had lunch with him.

Mr. WENGER. Well, Mr. Chairman——

Senator MOYNIHAN. The Executive Branch didn't believe in this program, and it doesn't.

Mr. WENGER. That is correct. The governors have fought valiantly over the years against the Administration position in the 1980s. It depends on which page of the President's budget submission in the early 1980s you believe. On one page Mr. Stockman said of the—I believe this was the 1981 or 1982 Presidential budget—on one page Mr. Stockman said that the Commission should go out of business because it has accomplished all that it set out to accomplish. On the next page he said the Commission should go out of business because it hadn't accomplished anything in 20 years.

So, Mr. Chairman, I guess it depends on which page you read of the Administration's reasoning. We certainly have——

Senator MOYNIHAN. Don't be clever with me. There is a serious argument against this kind of exercise. It is a serious argument, and it has won Presidential elections. They are winning the elections, not you, Mr. Wenger, and not me.

Mr. WENGER. Well, Mr. Chairman, I simply believe, as I believe the Governors do, and as Senator——

Senator MOYNIHAN. The Governors do when they go to this meeting, but did any of those governors oppose President Reagan for reelection?

Mr. WENGER. No. The Republican Governors did not.

Senator MOYNIHAN. This is just to get some money out of this thing and it is okay by them. But the country has voted against these programs.

Mr. WENGER. Mr. Chairman, I would make two points. One, I would recall a meeting that we had in 1981—a governors meeting—at which I believe 11 Governors were in attendance. It was shortly after the President had announced his opposition to the Commission and to all the title V regional commissions, all of which are gone now.

Then-Governor Rockefeller and then-Governor Alexander of Tennessee, a Republican, jointly introduced a resolution at the Commission meeting urging that the President continue the Appalachian Regional Commission. The late Governor John Dalton of Virginia walked into the room in the middle of the discussion, listened to the discussion for a few minutes, and said to Governor Alexander, who was chairing the meeting,

Mr. Chairman, I just left the Coastal Plains Regional Commission meeting where I voted to support the President and abolish the Commission, but I can't do that with the Appalachian Regional Commission because it has accomplished too much and has been too important to the region, and so I will vote unanimously with the Governors to support the continuation of the Appalachian Regional Commission.

I think that is indicative of the support that the Commission has had from Republican as well as Democratic governors.

The other point that I would make is the point that is made often by our friends and supporters, and that is that we, as a Nation, often provide special assistance to various parts of the country for various reasons. The Appalachian Region is an important part of our country. This nation cannot be economically strong unless all of its parts are economically strong.

Senator MOYNIHAN. What did you say?

Mr. WENGER. This country cannot be economically strong unless all of its parts are economically strong. Appalachia has——

Senator MOYNIHAN. Do you really think that?

Mr. WENGER. Do I really believe that?

Senator MOYNIHAN. Yes.

Mr. WENGER. Yes, sir.

Senator MOYNIHAN. I'm for you guys, but any element in economics 101 would tell you you are out of your mind. That's not economics talk, that's not development talk, that's political talk. That's blah.

Mr. WENGER. Well, Mr. Chairman——

Senator MOYNIHAN. Brotherhood of man; fatherhood of God—BOMFOG.

I'm sorry. I just want to say I'm going to have a hard time getting this out of this committee. It won't happen if there is no intellectual effort to rebut the arguments that are made against it.

Would you like to say to me—and I'm not trying to make life difficult for you, Mr. Wenger. You've done your job—that no part—the economy cannot be strong unless all parts of the economy are strong? Would you say that?

Mr. WENGER. What I would say, Mr. Chairman——

Senator MOYNIHAN. Would you say that?

Mr. WENGER. I would say that the strength of our Nation, the economic strength of our Nation, is—I'll put it this way: we are stronger as a Nation economically when all of our parts are strong. When one of our parts or two of our parts are weak, then we are weaker economically as a Nation.

I would——

Senator MOYNIHAN. What do you mean by a part? Are you talking about a part of a machine or a part of a body, or do you mean a geographical region?

Mr. WENGER. I mean a geographical region of the country and I mean a portion of our citizens, Mr. Chairman. We have seen the results in our cities of the outmigration of people in rural areas in our country.

Senator MOYNIHAN. We have seen the results in our cities?

Mr. WENGER. We have seen——

Senator MOYNIHAN. What are the results in our cities?

Mr. WENGER. We have seen economic distress in our cities in the——

Senator MOYNIHAN. As a result of outmigration?

Mr. WENGER. Certainly one of the factors contributing.

Senator MOYNIHAN. I didn't know that. Do you have any data to that effect? Would you like to cite me a book?

Mr. WENGER. Well, Mr. Chairman, I can talk about the fact that in the 1950s and the 1960s there was enormous outmigration from rural Appalachia. People settled in cities in the Northern part of the country and Northeastern part of the country—Cincinnati, Dayton, Cleveland, and many other major cities. They were generally unprepared for life in the cities. Generally there was a much higher incidence of poverty among the people who migrated from rural areas in Appalachia to the cities.

Senator MOYNIHAN. Do you have any data for that?

Mr. WENGER. Yes, sir.

Senator MOYNIHAN. Send it in, would you?

I used to write these speeches, and I saw them—I wish they carried conviction. They don't.

We had a great regional disaster in the late 1930s. There is a revival on broadway right now of the Grapes of Wrath. That had to do with the sustained agricultural depression and then the ecological damage of the dust bowl, as it was called, in Oklahoma and West Texas. Those people made their way to—they had to outmigrate, right? Where did they go?

Mr. WENGER. They went West generally.

Senator MOYNIHAN. And where were they going in the Grapes of Wrath? They were going to Southern California, and they ended up voting for Ronald Reagan.

But we have to hurry and get this thing through. Do send us any data you have.

[In information requested follows:]

The concern regarding the migration of the rural poor to urban centers was eloquently expressed in 1967 by the President's National Advisory Commission on Rural Poverty in its report entitled, *The People Left Behind*:

"Because we have been oblivious of the rural poor, we have abetted both rural and urban poverty, for the two are closely linked through migration. The hour is late for taking a close look at rural poverty, gaining an understanding of its consequences, and developing programs for doing something about it. The Commission is unanimous in the conviction that effective programs for solving the problems of rural poverty will contribute to the solution of urban poverty as well . . .

". . . Studies demonstrate that persons entering the labor market at the lowest income levels have the great difficulty in rising to better jobs and higher incomes. Many simply do not make the transition. Migration to a city in therefore no guarantee of escaping poverty, as the presence of millions of poverty-ridden ex-ruralites now in cities testifies . . .

". . . we must act now because the rural poor, in their desire for the same goods and services enjoyed by most urban people, continue to pile up in the central cities of America. Yet, for many migrants who lack the training and skills for employment in the cities, the move is like jumping from the frying pan into the fire. The result is frustration, despondency, and despair.

"The blight in our central cities, as well as the continued blight in rural America, is a national disgrace. The problems of rural America and central city America are closely linked through migration. A high proportion of the residents of our cities formerly lived in rural areas. Many more are one or two generations removed from a rural parentage.

"The senseless piling up of refugees from rural America in our central cities provides no solution to the problems of rural areas or of the cities . . ."

Senator MOYNIHAN. Thank you very much, sir.

Mr. WENGER. Thank you.

Senator MOYNIHAN. We are now going to hear about the EDA, which is the other of our agencies sponsored under the House bill before us.

Mr. Douglas Aller.

If Mr. Wenger will stick by, I'm sure Mr. Aller will give us all sorts of reasons why these programs should not be continued.

Mr. Aller, we welcome you.

**STATEMENT OF DOUGLAS J. ALLER, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION, DEPARTMENT OF COMMERCE, ACCOMPANIED BY MICHAEL OBERLITNER, ACTING DEPUTY ASSISTANT SECRETARY FOR LOAN PROGRAMS; VINCE GOODMAN, BUDGET OFFICER; AND JOSEPH LEVIN, CHIEF COUNSEL**

Mr. ALLER. Thank you, Senator.

Senator MOYNIHAN. We have your testimony. We'll put it in the record. Proceed as you like.

Mr. ALLER. I will make a brief statement, and then you may ask me questions, Senator.

Senator MOYNIHAN. Sure.

Mr. ALLER. Mr. Chairman, I'd like to first thank you for the opportunity to be here today before the Committee on Environment and Public Works.

Assistant Secretary Hampas wanted to be here but was unable to accept due to a scheduling conflict.

Senator MOYNIHAN. Sure. We understand that.

Mr. ALLER. In her absence, I would like to review for you the Administration's position on H.R. 2015—a bill that, as you know, would authorize the Economic Development Administration for fiscal years 1991 through 1993.

In addition, as you said, a written statement has been submitted for the record which will give you an overview of EDA's programs and our administrative operations to date.

Mr. Chairman, the Administration's position on EDA is well known. The President has proposed for fiscal year 1991 zero funding for EDA programs.

Senator MOYNIHAN. Can we get rid of the BOMFOG there. You mean he wants to abolish it.

Mr. ALLER. That is it.

Senator MOYNIHAN. Say so.

Mr. ALLER. That is correct, Senator.

Senator MOYNIHAN. Okay. Then don't say "zero funding." Say, "Let's abolish it."

Mr. ALLER. He would like to eliminate the program.

Senator MOYNIHAN. That's it.

Mr. ALLER. Okay.

Senator MOYNIHAN. Eliminate. All right. Fine. Keeled over. Done. Finished.

Mr. ALLER. The reason he would like to do that, Senator, is because he believes that in highly distressed areas, incentives outlined in some of his other proposals, particularly the Enterprise Zone proposal, would be more effective in meeting the problems that EDA has been dealing with.

Senator MOYNIHAN. Is that the not-invented here syndrome? Lyndon Johnson created—I can think of 15 programs Lyndon Johnson created which were identical to programs that John F. Kennedy had created, but John F. Kennedy having created them, it was

necessary for Lyndon Johnson to have one of his own. You have your own EDA called Enterprise Zones?

Mr. ALLER. Do we have our own EDA called Enterprise Zones?

Senator MOYNIHAN. Yes.

Mr. ALLER. We do not, Senator.

Senator MOYNIHAN. You do not? What do you call Enterprise Zones? How are they different?

Mr. ALLER. That is a piece of legislation that has been introduced, I believe, which would allow the President to certify 50 enterprise zones in urban and rural areas throughout the country and would provide for incentives for private industry, working with local governments, to develop strategies for economic development.

Senator MOYNIHAN. Develop? Did I hear the word "develop"?

Mr. ALLER. Yes, Senator.

Senator MOYNIHAN. As in Economic Development?

Mr. ALLER. That's right.

Senator MOYNIHAN. What does the EDA do that enterprise zones do?

Mr. ALLER. It does it at the Federal level as opposed to at the local level, which I think is the gist of the President's position on this—that this type of activity is more appropriate and more effective——

Senator MOYNIHAN. That's what we called "community action" in the war against poverty.

Go ahead.

Mr. ALLER. As you know, Senator, the United States is facing a $170 billion deficit, give or take $20 or $30 billion.

Senator MOYNIHAN. No. No. Keep up with the President, won't you? He told us on Tuesday night it is $232. You are off by $50 billion, Mr. Aller. If you are only at $50 billion more or less, surely you can swing for the EDA. It's not that much money.

Mr. ALLER. That's right, Senator.

Senator MOYNIHAN. There you are. Good.

Mr. ALLER. In order to address this critical situation, every facet of government spending must be scrutinized and evaluated. We believe that Congress—and the Senate, in particular—is now in the position——

Senator MOYNIHAN. Instead of scrutinizing, why don't you just look at it?

Mr. ALLER. Okay.

Senator MOYNIHAN. Good. We're getting along fine.

Mr. ALLER. We think the Senate now has an opportunity to take a positive step in helping to eliminate part of that deficit by removing the $220 million that would be appropriated for EDA in fiscal year 1991.

Senator MOYNIHAN. Is that what the House would authorize? Or have we been appropriating that?

Mr. ALLER. I think the House has been appropriating approximately that amount of money over the years. That's correct.

Let me assure you, Senator, that Secretary Mosbacher, Assistant Secretary Hampas, and I are here to manage this agency in the most effective way possible while it does continue to exist; however, we cannot justify, nor do we seek to encourage, EDA's continued

existence. Therefore, we do not support H.R. 2015 in its current form.

That concludes my testimony, Mr. Chairman.

Mr. ALLER. If you would allow me, I'd like to introduce my staff who are here with me today.

Senator MOYNIHAN. Please.

Mr. ALLER. The first gentleman is Mr. Michael Oberlitner. He is our acting Deputy Assistant Secretary for Loan Programs. Next is Mr. Hugh Farmer, our Deputy Assistant Secretary for Grant Programs. Mr. Vince Goodman is our Budget Officer. And Mr. Joseph Levin, our Chief Counsel.

Senator MOYNIHAN. You're sure you are not overstaffed?

Mr. ALLER. We are not overstaffed, Senator.

Senator MOYNIHAN. Okay. We've got that clear.

Just recently in the New York Times there was a column in favor of Mosbachery. Are these Mosbachers?

Mr. ALLER. Yes they are, Senator.

Senator MOYNIHAN. All Mosbachers. Well, you can count on the support of the New York Times if worse comes to worse.

We thank you very much, Mr. Aller. We know your position. You have come up and you have been very good natured. I was ragging you a little bit because I ragged Wenger a little bit.

Every Administration has its own area development programs. They have different names. Yours is called enterprise zones, which is a foreign idea. Are you aware of that?

Mr. ALLER. Yes, I am. It is also—I understand it has been in this country for quite a while, too, in various forms.

Senator MOYNIHAN. When?

Mr. ALLER. Have there not been other Federal proposals—perhaps not enacted, but proposals at the Federal and State level to set up something like an enterprise zone program?

Senator MOYNIHAN. How long is long in your——

Mr. ALLER. Over the last 10 years, maybe.

Senator MOYNIHAN. You have a very short time horizon. But there you are. It is just as well. It allows you to recycle yourself more quickly.

What has been the experience in Britain? Do you know?

Mr. ALLER. No, I do not, Senator.

Senator MOYNIHAN. You ought to. That's where the idea comes from. Have you read that book?

Mr. ALLER. The one that you referred to earlier?

Senator MOYNIHAN. No. The book proposing enterprise zones?

Mr. ALLER. No I did not, sir.

Senator MOYNIHAN. Why don't you?

Mr. ALLER. In Great Britain?

Senator MOYNIHAN. Yes. It is a British idea.

Mr. ALLER. What is the name of the book, Senator?

Senator MOYNIHAN. I haven't the slightest idea. I think it is called Enterprise Zones. Conservatives like it because they like the sound of "enterprise."

Mr. ALLER. As in free enterprise.

Senator MOYNIHAN. And the liberals like "development." Conservatives like "enterprise." Same thing.

Thank you very much, sir.

Look up the British experience. It began early in the Thatcher Administration.

Mr. ALLER. Yes.

Senator MOYNIHAN. And it is worth looking at. In the main, a century of these enterprises have had very marginal effects, but a few have—if you had seen West Virginia in 1960, you'd think things are better. If you had seen Alabama in 1960, you'd think things are better. They are.

Thank you very much, sir.

Mr. ALLER. Thank you, sir.

Senator MOYNIHAN. Thank you gentlemen for coming. I'm just kidding among friends.

Finally, and most pleasantly, Sally Hernandez-Pinero, who is the Deputy Mayor of the City of New York. She arrives with enormous testimony—page after page.

Ms. HERNANDEZ-PINERO. Actually, I am a little nearsighted, so it is not so much long as big.

Senator MOYNIHAN. Do you have a colleague you would like to have join you? You are obviously okay on your own.

Ms. HERNANDEZ-PINERO. I'm fine.

Senator MOYNIHAN. Go ahead. We'll put your statement in the record. You go ahead exactly as you'd like to do. Perhaps you would like to introduce your colleague.

Ms. HERNANDEZ-PINERO. Sure.

Mr. DAILY. My name is William Daily. I'm with the city's Washington Office.

Senator MOYNIHAN. Good morning, Mr. Daily.

Mr. DAILY. Good morning, Senator.

Senator MOYNIHAN. We are happy to have you before the committee.

## STATEMENT OF SALLY HERNANDEZ-PINERO, DEPUTY MAYOR, CITY OF NEW YORK, ACCOMPANIED BY WILLIAM DAILY, WASHINGTON OFFICE, CITY OF NEW YORK

Ms. HERNANDEZ-PINERO. Good morning, and thank you, Mr. Chairman, for the opportunity to speak with you about the reauthorization of the Economic Development Administration.

My name is Sally Hernandez-Pinero, and I'm the Deputy Mayor for Finance and Economic Development for the City of New York. As Deputy Mayor I am responsible for establishing policies to encourage business and economic development in New York City and for overseeing the implementation of these policies by our economic development agencies.

I am encouraged that after more than 10 years of continuing appropriations the Congress is considering reauthorization and amendment of the programs run by the EDA. As you know, the EDA is the only major Federal program remaining to assist the development of commercial and industrial projects.

With this assistance, States and localities are able to create and retain jobs throughout this country. If the United States is to remain globally competitive, a large commitment must be made by the Federal Government to fund and expand programs such as those of the EDA.

In these very difficult economic times facing our Nation, the catalyst of EDA funds will be crucial if we are to spur the private sector to create and retain jobs.

While the potential for EDA programs to assist this country is enormous, I am concerned that the Nation's past emphasis on rural areas has left our Nation's urban areas without the economic development assistance intended by Congress.

In the late 1970s, EDA funds were fairly evenly divided between rural and urban areas. Yet, by 1988 the Economic Development Administration announced in its annual report that fully 80 percent of EDA funds went to rural areas.

By narrowly——

Senator MOYNIHAN. Eighty percent?

Ms. HERNANDEZ-PINERO. Eighty percent.

Senator MOYNIHAN. And that's rural as defined by census, which is under 2,500 population; isn't that right?

Mr. DAILY. That is the census definition, I believe, that that's what EDA is.

Senator MOYNIHAN. It can't be more than 20 percent of the American population that lives there.

Could I just——

Ms. HERNANDEZ-PINERO. Sure.

Senator MOYNIHAN. Mr. Secretary, are you in charge of the EDA even though you don't want to be?

Mr. ALLER. I am today.

Senator MOYNIHAN. Well, do you expect to lose your job this afternoon?

Mr. ALLER. In Ms. Hampas' absence.

Senator MOYNIHAN. Oh, yes. Well, is that the case? Eighty percent goes to rural areas? We asked Mr. Daily, and he said by the census definition a population of less than 2,500 persons——

Mr. ALLER. It's 25,000.

Senator MOYNIHAN. Well, 2,500 was the original. We'll get that straightened out.

Ms. HERNANDEZ-PINERO. We'll get this.

Senator MOYNIHAN. It's a number. Do we have another volunteer?

Ms. CANALES. My name is Judy Canales. I am the legislative representative for the City of New York covering this area, as well. Based on our factors here, we're looking actually at 50,000 population.

Senator MOYNIHAN. Well, 50,000 ain't rural. Don't give Ms. Hernandez-Pinero information like that. That's wrong. On the other hand, it says here the EDA annual report says 80/20. That's where you got the number.

Ms. HERNANDEZ-PINERO. Right.

Ms. CANALES. I'm not sure that it is 50,000.

Senator MOYNIHAN. And the same EDA series goes from 41 to 80, and urban goes from 59 to 20. Something funny is going on. They're trying to kill the program.

Ms. HERNANDEZ-PINERO. I think the EDA probably should understand—they're the ones who can best answer what was the basis of the figure contained in their annual report.

Senator MOYNIHAN. Right.

Ms. HERNANDEZ-PINERO. The statistic came from the report.

Senator MOYNIHAN. We'll get that settled.

Ms. HERNANDEZ-PINERO. Okay.

Senator MOYNIHAN. And the Assistant Secretary involved has the nice name of Swindle. [Laughter.]

Senator MOYNIHAN. Go ahead.

Ms. HERNANDEZ-PINERO. Shall I continue?

Senator MOYNIHAN. Please do.

Ms. HERNANDEZ-PINERO. By narrowly interpreting statutory criteria, urban areas have lost out on these funds made available by Congress. This practice is especially harmful to urban areas because of the dissolving Federal funds available to these communities from other programs of the Departments of Commerce and Housing and Urban Development.

I have reviewed the revised program criteria included in the bill H.R. 2015 that was passed by the House of Representatives to reauthorize the EDA. These proposed criteria reinforce the agency's predisposition to grant funds to rural areas. I urge the Senate to amend the bill's criteria to recognize the importance of the distress encountered by urban areas in addition to that encountered by rural areas. Large urban areas, including New York City, will simply not qualify for EDA funds if the qualification criteria in H.R. 2015 is not amended.

By concentrating on per capita income and average unemployment for an entire city or county, H.R. 2015 ignores the existence of many heavily distressed pockets of poverty within large, urban areas. These communities—many of them low income and predominantly minority—suffer from distress which is as severe as that suffered by rural areas. Given EDA's strong reluctance in the past to qualified pockets of poverty for funding, these areas will not benefit from EDA programs if the larger cities in which they are located do not qualify under the statutory criteria.

Much of the distress in large urban areas is attributable to training and education deficiencies that we are currently working hard to address, yet, this distressed population is not counted among the unemployed because they cannot get past the starting gate or they have altogether given up looking for jobs.

It is crucial that EDA reauthorization statutes recognize the distress attributable to underemployment as well as unemployment. In separate written comments submitted to the subcommittee, the City of New York recommends an amendment to the statutory criteria to include the labor force participation rate as a measure of distress.

This statistic collected by the Bureau of Labor Statistics of the U.S. Department of Employment captures the long-term, chronic employment distress suffered by many larger cities. The inclusion of this measure in the EDA criteria will go a long way towards addressing the problems and needs identified by the Congress in its own findings in H.R. 2015—mainly, the problems of "substantial and persistent unemployment and underemployment" and the need to assist "socially and economically disadvantaged individuals from groups that suffer the effects of past and present discriminatory practices."

In addition to amending the statutory criteria to allow urban centers to quality to receive EDA assistance, it is crucial that the factors which the Secretary of Commerce must take into account in awarding grants under section 104 also be amended to include consideration of underemployment and structural employment problems.

Finally, the Senate should reconsider the funding authorization level which is provided in H.R. 2015. Under this bill, the authorization level for the Economic Development Administration programs has been increased from the current appropriation level of $182 million to $276 million for the entire Nation. While the City of New York is pleased by an increase, this authorization still does not approach the EDA's $500 million appropriation back in 1981.

Given the enormity of the Nation's needs for job growth and creation, especially in these difficult economic times, the Federal Government must make a larger commitment to these programs. Large cities, including New York City, have spent EDA monies very effectively in the past to create jobs and should be allowed to receive their fair share in the future. If some caps are deemed necessary to equitably allocate funds across the country, we suggest an increase in the caps to $5 million for the revolving loan fund from $1 million and $15 million per recipient for counties or cities with populations exceeding a certain level—50,000 or 100,000, for example.

I'm here to urge you to amend the EDA Reauthorization Bill because EDA funds and programs have been critical to the growth and development of New York City and other urban areas in the past, and we need these programs to remain relevant in the future.

EDA funds have been crucial in filling financing gaps for a wide variety of commercial and industrial projects that have generated thousands of jobs throughout our communities. I urge the Senate to increase the authorization level to at least the 1981 level of $500 million. Together with this increase in authorization level, it is crucial that the Senate increase the caps in H.R. 2015 that limit grants under the EDA's revolving loan fund to $1 million and grants to any recipient to $4 million. These caps unfairly penalize local governments with large populations and substantial economic development needs relative to small rural areas that will never reach these caps.

There are tremendous needs in our cities for Federal job creation and retention assistance that should be recognized in the EDA Reauthorization Bill. For example, an EDA grant for $1.36 million was awarded to the city in May of 1988 to fund the construction of a permanent Farmers' Market in Jamaica/Queens, New York. The project involves construction of a farmers' whole semi-enclosed market and the renovation of an existing building to house small retail food shops and eateries. This project is helping us arrest and eliminate blight and create primary retail activity consistent with community development goals of Queens by revitalizing and sustaining an area in transition.

Another important EDA grant for $1.3 million has helped us fund the construction of the East Brooklyn industrial incubator. The facility provides modern, efficient, and affordable industrial space for young and growing firms—something that is in short

supply in this distressed Brooklyn neighborhood. It also provides the firms with shared on-site clerical and professional services at a cost that is not available in conventional industrial space.

Our objective with this incubator is to enable new firms to expand so that they will outgrow their space, relocate in the neighborhood as a secure business, creating more jobs and making way for new growth-oriented businesses.

I also have technical comments on the proposed reauthorization bill which I'd like to submit for the record.

At this point I'd be happy to answer any questions you might have, Mr. Chairman.

Senator MOYNIHAN. First of all, thank you very much for telling me several things I don't know. You are quite right about this rural business. We have here a note from the Congressional Research Service and Library of Congress, which I'd like to place in the record at this point, from Mr. J.F. Hornbeck, who says that geographic preference as a matter of policy did evolve during the Reagan Administration. He quotes Mr. Swindle, who is the Assistant Secretary for Economic Development. He says, "One of my major goals as Assistant Secretary has been to return EDA to its rural roots."

[The paper referred to follow:]

Congressional Research Service • The Library of Congress • Washington, D.C. 20540

**Memorandum** September 4, 1990

TO : Honorable Daniel P. Moynihan
Attention: Mark Kadesh

FROM : J. F. Hornbeck
Economic Analyst
Economics Division

SUBJECT : The Urban/Rural Split of EDA Funds

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Per our conversation, this memorandum provides a recent history of the distribution of public works grants made by the Department of Commerce's Economic Development Administration (EDA). Grants are categorized as being made to either urban or rural areas. Data was taken from annual reports published by EDA; information for fiscal year 1984 was not available. Prior to 1981, information on the geographic distribution of grants was not provided in annual reports.

There is no legislative directive on the use of EDA funds by geographic area. All areas must, however, qualify as being "economically distressed." In some years, rural areas have received relatively more funding, in other years urban areas prevailed.

A geographic preference as a matter of "policy" did, however, evolve during the Reagan Administration. Under the leadership of Assistant Secretary for Economic Development Orson Swindle (1985-90), EDA grants were awarded progressively more to rural areas, up from 56 percent of total grants in 1985 to 80 percent in 1988. This policy was reiterated by Mr. Swindle numerous times in testimony before Congress and was outlined in the Federal Register. Mr. Swindle expressed his view that EDA existed predominantly to address the economic problems of rural areas before the House Subcommittee on Economic Development in 1988,

> As I have testified on previous occasions, one of my major goals as Assistant Secretary for Economic Development has been to return EDA to its rural roots. This policy reflects my conviction that with limited dollars, the existence of other Federal grant programs for urban areas, and the high levels of distress in many rural communities, EDA can be most effective if it devotes most of its attention to rural areas.

> This focus has resulted in increasing the proportion of EDA resources to such places, but has not removed the agency from urban America.[1]

Table 1 gives a recent history of EDA grant distribution broken down by urban/rural location. As may be seen, Mr. Swindle has seen that this "policy" was implemented.

TABLE 1. Distribution of EDA Public Works Grants By Geographic Location

| Fiscal Year | % Rural | % Urban |
|---|---|---|
| 1988 | 80 | 20 |
| 1987 | 80 | 20 |
| 1986 | 72 | 28 |
| 1985 | 56 | 44 |
| 1984 | NA | NA |
| 1983 | 49 | 51 |
| 1982 | 58 | 42 |
| 1981 | 41 | 59 |

NA = not available
Source: EDA annual reports, various years.

[1] U.S. Congress. House. Committee on Public Works and Transportation. Subcommittee on Economic Development. *Review of Policies and Programs of the Economic Development Administration and Use of Funds Appropriated for Fiscal Years 1987 and 1988.* Hearings, 100th Cong., 2d Sess., May 11, 1988. Washington, U.S. Govt. Print. Off., 1988. p. 8.

Senator MOYNIHAN. I don't really remember. I was around when all these things happened, but I don't recall it as being rural.

Does anybody on the staff know anything about this? EDA began as EDA, didn't it? It was one of our big 1965 measures, wasn't it? Anybody here raise their hand if they know when EDA was created.

VOICE FROM AUDIENCE. In 1965.

Senator MOYNIHAN. That's what I said. That was one of our 1965 bills. I was here. I was in all those bill signing ceremonies. It wasn't rural.

Ms. HERNANDEZ-PINERO. No. In fact, the City of New York in the early years was able to secure, since 1978, $45 million in EDA funding. So it has——

Senator MOYNIHAN. John Lindsay was an EDA enthusiast. Why did Mr. Swindle say rural roots? Was he lying? I don't think he was lying. I don't want to suggest he was. But does anybody here know why? You gentlemen? There are five of you. You are together. One-third of a million dollars goes into your pay. Does anybody here know why Mr. Swindle said rural roots?

[No response.]

Senator MOYNIHAN. I've got nothing against rural roots, but I just don't know about it.

VOICE FROM AUDIENCE. I believe that originally there was a cap on the population or the size of the community, but that's just a recollection. I'm not positive. I think it was 50,000 population.

Senator MOYNIHAN. Then why was New York City so enthusiastic about it? Maybe I'm wrong.

Ms. HERNANDEZ-PINERO. There are distinctions gone, in my reading the statute, between what has to be shown if it is a population under 50,000 and above 50,000, but certainly it was not limited in any way to populations of 50,000 or less.

Senator MOYNIHAN. I think Ms. Hernandez-Pinero is right. Would it be too much to ask that we find out? It might help a little bit to know what our history is.

Mr. Secretary, why don't you let us know what your view of the matter is and what Mr. Swindle meant.

Senator MOYNIHAN. But that is, as a matter of policy, so stated. The numbers are recorded. The percent rural—whatever that definition is—grants went from 41 percent in 1981 to 80 percent in 1988. It doubled. Correspondingly, the urban diminished.

We will get from your representatives here in Washington the proposals you have made.

Ms. HERNANDEZ-PINERO. Thank you.

Senator MOYNIHAN. I think that if we do have criterion such as unemployment—I guess I haven't followed EDA. It has been doomed.

Ms. HERNANDEZ-PINERO. Dormant.

Senator MOYNIHAN. You have it run by people whose job it is to kill it.

Ms. HERNANDEZ-PINERO. Yes.

Senator MOYNIHAN. There's something about this. This is Lyndon Johnson on signing the Public Works and Economic Development Act. He's talking about having to cut taxes and doing all those things. This was the good old days in August of 1965. It was a great

year. This was written August 26. I think that would be 12 days after he went on television and announced he was sending 500,000 troops to Vietnam, but he did not know that that was the end of his Administration. He still had a few bill signings to go but, in fact, it was going to be all over. But that's history.

He talked about all the money and jobs we have created for millions of people and cut our taxes, but still for some of our fellow Americans the gates are still closed. These folks live in the fishing villages and the old textile towns of New England. They live in the railroad centers of Pennsylvania where the coal trains no longer run. They live in the small areas of Arkansas and Oklahoma and East Texas. They live in the mountain towns of Utah and Idaho, in the timber settlements of the Far West.

I can almost tell you who wrote this. It was Senator Muskie and Mr. Blatnik. It is talking about the Homestead Act, Land Grant Act. This came out of the Commerce Department. The new Assistant Secretary of Commerce—one of your predecessors—Gene Foley, was going to be Assistant Secretary for Economic Development. He had Blatnik of Minnesota, Gene Foley, and Bob Jones of Alabama.

Well, there was a small town dimension to it, but those mill towns in Massachusetts have all been redeveloped into condos, so we don't have to worry about them any more. Don't tell that to any Senator from Massachusetts.

But we would like to reauthorize this. It is not appropriate to have a measure which is running without authorization and just appropriations. If the President wants to veto it, let him veto it.

I think your point about labor force participation rates is a very fair one. I was once Assistant Secretary of Labor, and BLS was nominally my domain. We got to learn about labor force participation, and it got to be—it has become increasingly a relevant indicator.

Ms. HERNANDEZ-PINERO. Absolutely.

Senator MOYNIHAN. You can have very low unemployment rates and a great deal of unemployment. Whether you want to blame that on capitalism or the weather or Brooklyn, I don't know what, it is a real thing. It is a measure.

I don't know how closely they can get these rates down to geographical units, but BLS could do it if you ask them, and we will try.

We thank you very much for coming down on a rainy day.

Ms. HERNANDEZ-PINERO. Thank you.

Senator MOYNIHAN. It was thoughtful of you to do this because you're not going to get much out of this, I'm afraid. I wish I could promise you otherwise, but the Administration wants to kill the program.

There is nothing worse than running a program with the instruction to kill it. It just doesn't make much for morale. I'm sure you know.

Thank you, Mr. Daily, and thank you, ma'am.

Mr. DAILY. Thank you, Senator.

Ms. HERNANDEZ-PINERO. Thank you.

Senator MOYNIHAN. We appreciate it very much.

We will find out more about EDA. We learned a lot from the public papers. That being the end of our witness list, we thank everyone here. We thank our staff and our audience.

With this, we will conclude the hearing.

[Whereupon, at 11:02 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

[Statements submitted for the record and the bill H.R. 2015 follow:]

**Statement of**
**Jacqueline L. Phillips**
**Federal Co-Chairman**
**Appalachian Regional Commission**
**before the**
**Senate Committee on Environment and Public Works**

**Subcommittee on Water Resources, Transportation and Infrastructure**
**September 13, 1990**

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to present a brief overview of the current operations of the Appalachian Regional Commission and to comment on the authorization legislation being considered by this Subcommittee.

Over the past 25 years, ARC has accomplished many of the specific objectives it has set for itself:

- Two-thirds of the 3,000 mile Appalachian Development Highway System is complete or under construction with 910 miles remaining to complete.

- Two million new private sector jobs have been created in the Region with many of those new jobs directly linked to ARC activities.

- More than 700 vocational schools have been built and/or furnished with modern training equipment.

- A network of more than 1,000 primary health care centers and hospitals has been established, putting a modern health care facility within 30 minutes of every Appalachian.

- Some 1,900 water and/or sewer systems have been built for both industrial and residential use.

The $147.9 million dollars appropriated for the Commission for fiscal year 1990 supported three major program areas: first, working toward completion of the Appalachian Development Highway System; second, supporting a wide range of economic and community development programs; and third, assisting in construction of basic facilities in the Region's poorest or "severely distressed" counties.

## HIGHWAYS

Since 1965, Congress and the Appalachian states have placed top priority on building a modern highway system to lessen the Region's isolation, to link commerce and industry to markets, and to make health care, education and other community services accessible to the Region's people.

By the end of FY 1990, 2,126 miles of the 3,025 miles authorized by Congress are expected to be contracted for construction. Of this total, FY 1990 funds provided approximately 28 new miles.

## AREA ECONOMIC AND HUMAN RESOURCE DEVELOPMENT PROGRAM

The Non-Highway Program is designed to help the Region achieve a diversified economic base and a competitive, self-sustaining regional economy, which will create more job opportunities, raise income levels and stimulate private/public partnerships and investments to create and retain jobs.

Among a wide range of projects receiving assistance in this program category are infrastructure projects, such as water and sewer system improvements; job-related training programs to improve the immediate and long term job prospects of people in the Region; computer literacy programs; employer-related child-care programs; affordable housing for low and moderate-income families, industrial and enterprise development programs; and local government assistance demonstrations.

Throughout its 25 year history, the Appalachian Regional Commission has supported programs which have acknowledged the importance of education in engendering economic growth and competitiveness. ARC's education strategies for the future will be closely linked with the National Education Goals and strategies outlined by President Bush and the nation's governors. For example, ARC will provide a $149,000 dollar grant to the Woodlands Mountain Institute in Franklin, West Virginia, to continue the West Virginia Scholars Academy. In an effort to increase the college-going rate of West Virginians the Academy helps the most promising 100 high school students statewide go to college with comprehensive services and helps approximately 2,000 additional students statewide through peer college counseling.

Of particular concern to this Commission is the high rate of infant mortality in Appalachia. As a result ARC has funded hundreds of projects aimed at improving access to health care. For example, in FY 1989 ARC provided a grant to the Virginia Department of Health to recruit and train "resource mothers" for pregnant teenagers in Lee, Wise, Giles and Pulaski counties.

ARC has recently teamed with the Southern Governors' Association's Regional Project on Infant Mortality in sponsoring a summit on infant mortality which will take place in Richmond, Virginia on October 4-7, 1990. The purpose of the summit will be to bring together state legislators, Governors' staff and health advocates to develop model legislation on infant mortality prevention. ARC states which are not also SGA members have also been invited to attend.

ARC's non-highway programs, categorized under community development and human resource development, are able to respond to a variety of related needs through the efforts of numerous organizations.

The ARC partnership between federal, state and local government and the private sector assures a great degree of cooperation in efficiently and effectively addressing the true economic development problems throughout the Region.

Now, with the availability of new data, especially preliminary census results, we are accelerating our on-going evaluation of the impact and appropriateness of our various programs in relation to the changing characteristics and needs of our people and their institutions. We are determined to make sure that our programs remain responsive to both well-rooted and emerging problems of the Region and take advantage of new opportunities for regional economic development made possible, at least in part, by the programs of the past 25 years.

**DISTRESSED COUNTIES**

Since 1983, ARC has provided special funds for the Region's poorest counties. In fiscal year 1990, 90 counties qualified for distressed county status on the basis of low per capita income and high rates of poverty and unemployment.

The program provides badly needed public facilities, especially systems to furnish clean drinking water and waste disposal systems to maintain a healthier environment. Under previous ARC program

guidelines, most of these counties were too poor to provide the match required for federal assistance to fund these facilities.

During FY 1990, the states have funded 38 projects in these counties. A typical distressed county project that was recently funded is the Dryden Sewer project in Lee County, Virginia. This grant of $500,000 was to construct a sewage collection system to serve the town of Dryden and will be connected to a treatment plant in a nearby town. This sewage collection system will serve 200 residential connections (approximately 564 people), a garment factory, an elementary school and a shopping center.

## SPECIAL INITIATIVES

### YOUTH LEADERSHIP

As part of its 25th Anniversary celebration, ARC has initiated a Community Youth Demonstration Program. The programs's objective is to encourage active involvement by the Region's youth in identifying and solving problems that affect young people and their communities, and to help develop among youth a lifelong commitment to community service.

During fiscal year 1990, ARC funded 16 youth leadership projects throughout the Appalachian states. Five hundred participants, aged 14-17, helped design their own projects. These projects will be described by the young Appalachians at ARC's fall conference in Pennsylvania, "The Next Generation - A Conference on Children and Youth in the 21st Century." Youth community service projects will be an ongoing Commission activity.

Another activity related to the 25th Anniversary is a study on Appalachian youth. The focus of the report will be the future challenges facing Appalachia's youth. It will include information about Appalachian youth in the national context and in the context of developments in the Region in education, healthcare, and economic development.

### AQUACULTURE CONFERENCE

In November of 1989 the Commission convened a conference on aquaculture in Birmingham, Alabama. ARC sponsored the conference in response to inquiries about the industry's prospects and requests for support for aquaculture projects. The conference

provided an opportunity for experts and practitioners to discuss the comparative advantages for the industry in the Region, learn about world markets, impediments to expansion and technology in this growth industry.

**TOURISM**

Another ARC program initiative in 1990 has been tourism development.

In May of this year, the Commission held a conference in West Virginia to talk about travel and tourism as a vehicle for economic progress. The workshop participants explored the magnitude of the potential for tourism, in Appalachia.

The potential appears to be enormous. Yet, the region is woefully underutilized particularly by the foreign traveler. An ARC tourism market study has indicated that Appalachian counties attract just 1.5% of tourism spending from it's two most likely foreign markets, Great Britain and Canada.

Considering that Appalachia contains 10% of the nation's population, this means the region's currently getting less than a sixth of it's fair share in these markets. An estimated $17 billion dollars was spent by tourists within the Region in 1988, providing an estimated 325,000 jobs. ARC is working with its member states to develop an on-going program to provide support for future development of this industry.

**REAUTHORIZATION (H.R. 2015)**

It has been over ten years since the ARC has had authorizing legislation passed by the Congress. During this time, the Commission has been existing and operating through the appropriations process.

The only change that has been made in the Appalachian Regional Development Act of 1965 since passage of the authorization bill in 1979 removed restrictions in Section 224 (b) (2), (3) and (4) in the FY 1988 appropriation act. The significant effect of the change was to remove the restrictions on use of ARC funds in order to assist private enterprises. The restriction in 224 (b) (1) on use of funds to assist business relocations remains in effect.

The Appalachian states have been able to adapt to reduced funding through a variety of measures, including increases in their non-highway project match shares from 20 percent to 50 percent involving local and private as well as state funds. An exception to this is the match required of designated severely distressed counties, which remains at 20 percent. These matching requirements for non-highway grants with which ARC is complying are contained in H.R. 2015.

As a practical matter, virtually all of the program aspects contained in H.R. 2015 are already mandated by law and are being implemented by the Commission.

The only significant departure from the ARC's current program contained in H.R. 2015 is the ratio of highway to non-highway funding. The bill proposes a ratio of about 80 to 20 percent in favor of highways. Our historical funding ratio between the two programs has been closer to 60 - 40 percent in favor of highways.

If H.R. 2015 were presented to the President in its current form I would recommend that the bill be disapproved. I cannot speak for the Administration on the EDA portion of the bill. As to the ARC portion of the bill, it is my understanding that the Administration would not object to the enactment of H.R. 2015 if it were amended to limit appropriations authorizations for the ARC to $50 million in FY 1991, $52 million in FY 1992, and $53 million in FY 1993.

Senator, I thank you and the Subcommittee for this opportunity to present my report on ARC and my views on H.R. 2015. I will be glad to answer any questions you may have.

The Honorable John D. Rockefeller IV
Committee on Environment and Public Works
September 13, 1990

Mr. Chairman, I am honored to be before this Committee offering testimony on behalf of the Appalachian Regional Commission. As Governor of West Virginia for eight years, I saw firsthand what the ARC and its programs accomplished for my state and the Appalachian region. As Senator, one of my top priorities has been to ensure the ARC's continuation. The program is vital to the region, and it is working.

As you know, the ARC was created 25 years ago, by an act of law signed by President Johnson. Thanks to this bold measure, West Virginia and the other 12 states served by the ARC are better off than we were 25 years ago. Jobs have been created, literacy is up, and infant mortality is down. But we still have a long way to go. The objectives of the ARC have not been fulfilled yet. The gap has narrowed, but the Appalachian region still has not reached parity with the rest of the nation. And unfortunately, the decisions in recent years to severely curtail the ARC have caused portions of the region to slide backward.

It is in the nation's interest to invest in the ARC, and thereby in the economic future of the Appalachian region. The people of my state want to overcome our economic problems, we want to contribute more productivity and more tax dollars to build a stronger America. But without the targeted assistance provided by ARC programs, we will be held back.

These are the reasons that I have sponsored legislation in every Congress, since coming to the Senate in 1985, to reauthorize and strengthen the ARC. Yes, I am advocating special assistance for the people of my state and the region. But I am also seeking support that I <u>know</u> translates into economic gains and benefits for the entire country.

To solve the problems of Appalachia, the industrial and commercial resources of the region must become more competitive in national and world markets. In fact, when the ARC was established, a major goal was to connect Appalachia with the more prosperous and highly developed areas on either side of the mountains through a highway system.

These highways are called corridors. The corridor system is now two-thirds complete. Two thousand miles have been completed, resulting in a lot of roads "halfway to nowhere." Looking at this map, one can see how ludicrous this situation is.

Completion of these highways is vital to the region. It is economic suicide not to complete these corridors. Allowing them to languish costs our region the jobs needed to bridge the gap between Appalachia and the rest of the nation.

The bottom line is that these roads mean jobs. Within a 30-minute drive of these corridors, 800 manufacturing plants have been established, and more than 200,000 jobs have been created. Between 1981 and 1986, 81 percent of the jobs in the region were in counties with completed interstates or corridors. This is perhaps the most compelling argument for completing these roads. If we continue at the rate that we're going, these roads will not be completed until 2065. We simply cannot wait that long.

Let me talk for a minute about what the completion of the corridors would do for West Virginia. There are 410 miles in the system in West Virginia and 144 miles remain incomplete. There are four corridors which will require construction or substantial upgrading, D, G, H, and L. The largest of these is H, where over one hundred miles still need construction. The completion of Corridor H would boost the tourism and second home industry in the area tremendously, not to mention what it would do for the timber industry. The counties in our Eastern Panhandle are beginning to experience economic growth as a result of the expansion of the Washington metropolitan area. However, this growth stops at the beginning of the mountain range.

Corridor H, which will connect Interstates 81 and 79, will remove that mountain barrier and will open some of the most beautiful counties in West Virginia to the growing number of tourists from the Washington-Baltimore region -- those seeking a quick getaway to first-class recreational areas.

In the southern part of my state we have Corridor G which connects the State capitol, Charleston, with the coal fields. Completion of the remaining 18 miles of this highway will open the area to development that will create jobs for West Virginians.

Corridor D, which would ultimately connect eastern ports with Interstate 275 in Cincinnati via north central West Virginia, has only 10 miles around Parkersburg to be completed.

These 144 miles that remain will cost $1.4 billion. If we delay construction, the costs will rise and the benefits to the state will not accrue.

Senator Byrd and I have introduced legislation, S.2752, that will hasten the construction of these roads. When the Commission was created in 1965 through bipartisan legislation authored by Jennings Randolph of my own state of West Virginia and John Sherman Cooper of Kentucky, a very clear commitment was made to the people of Appalachia. It is time that commitment is kept.

Our legislation calls for tapping into the balance of the Highway Trust Fund to complete the corridors. According to a GAO Report entitled "The Highway Trust Fund: Condition and Outlook for the Highway Account," there will be a balance in excess of $6 billion after all obligations for the current highway authorization are paid.

For years, these ARC corridors did not receive the funding intended when the program was established. We must move rapidly to compensate for that. Our legislation calls for the corridors to be part of the 1991 Highway bill.

I am very hopeful that the current Administration will be more receptive to the needs of Appalachia. From 1981 to 1989, the Administration actually called for the abolition of ARC. In January of 1989, Senator Byrd and I met with President Bush to make a case for Appalachia. Although no commitment was made, the President was sensitive to the special needs of the region and showed genuine concern and interest when he was made aware of the uncompleted corridors. And for the first time in many years, this year the Administration's budget requested an appropriation for the ARC.

The programs of ARC are a partnership between the federal, state, and local governments. The federal government must not be allowed to walk away from its commitment to that partnership--and investment. It is in part due to that partnership that life is better for the men, women, and children who live in the 397 counties of the 13 states of Appalachia. But the hopes and dreams of those people, especially our younger people, should not be ignored.

I feel that we have a compelling case -- a moral and an economic case -- for continuing ARC and for completing the corridor system before the end of this century. Very simply, the completion of these roads is the key to strengthening the economy of this region. Fulfilling this vital mission of the ARC will enable my state and the others to grow and to make the contribution we want to make to the future of the nation.

**Testimony**
**to the**
**Subcommittee on Water Resources, Transportation,**
**and Infrastructure**
**Senate Committee on Environment and Public Works**
**Senator Daniel P. Moynihan, Chairman**

**Presented by**
**Michael R. Wenger**
**ARC States' Washington Representative**
**on behalf of the**
**Appalachian Governors**
**September 13, 1990**

Thank you very much, Mr. Chairman. I appreciate the opportunity this morning to share with you, on behalf of the Governors of the thirteen Appalachian states, the views of the states regarding the programs of the Appalachian Regional Commission.

I had hoped that Governor Casey, our States' Co-Chairman, would be here this morning. However, he is campaigning for reelection and had several unavoidable conflicts. In fact, six of our Appalachian Governors, including the current States' Co-Chairman, the two immediate past States' Co-Chairmen, and next year's States' Co-Chairman, are all involved in campaigns for reelection. Which, Mr. Chairman, accounts for my presence here this morning.

But, I can assure you that all 13 Governors, as evidenced by resolutions they have adopted, by their continuing involvement in the program, and by their attendance at our meetings, fully and enthusiastically support the ongoing work of the Appalachian Regional Commission. They support it because of its enormous accomplishments during the past 25 years. And they support it because, in the words of the distinguished junior Senator from West Virginia, former West Virginia Governor Jay Rockefeller, who served as ARC States' Co-Chairman in 1980:

"It is simply the best government program with which we deal."

In Governor Casey's absence, I would like to share with you a portion of previous Congressional testimony he has given:

"Ours is a region of great diversity... . It stretches from New York and Pennsylvania and Ohio through West Virginia and Virginia and Kentucky to Alabama and Mississippi. But our states share one common and dominant characteristic. Events which hurt the national economy seem to affect our region with greater force than the nation as a whole.

"Traditionally, Appalachia has relied more heavily than the rest of the country on manufacturing and mining industries. In recent years these sectors have struggled nationally as a result of global competition and the impact of new technologies. Appalachia, therefore, has experienced more painful adjustments to job losses resulting from industrial restructuring.

"In 1980 approximately 38 percent of Appalachian jobs were in the production of manufactured goods. By 1986 manufacturing employment in the region had fallen to 31% ... .

"The vast majority... of the counties in the region still suffer from unemployment rates higher than the national average. In more than 10% of our counties unemployment rates are more than twice the national annual average. Per capita income in the region, which had increased significantly compared to the national average from 1965 to 1980, declined significantly between 1980 and 1986.

"In 1988 the region was home to 20.8 million people, 45% of whom lived in non-metropolitan areas. From 1980 to 1988 the U.S. population grew by 8.5%, but the Appalachian population grew by only 2.6%. (And the preliminary figures from the 1990 Census tell a story of significant outmigration in portions of the Region.)

"Forty-two percent of the non-metropolitan counties in Appalachia are considered economically weak, and 90 of those are severely distressed. In the rest of the United States only nineteen percent of the rural counties are economically weak. Appalachia's distressed counties have higher drop-out rates, higher illiteracy rates, higher infant mortality rates, and a greater shortage of health professionals. The map which I show you, and which, with your permission I will submit for the record, graphically indicates the pockets of economic distress.

"The beauty of the Appalachian Regional Commission is that it is flexible enough to allow each Governor to focus resources in a way that most effectively addresses these problems in his or her state... .

"...The ARC was conceived nearly twenty-five years ago, largely as a result of this Committee's leadership, as a unique partnership between local, state and federal governments to insure that federal assistance would be guided to where it was most needed and would have the greatest impact. It was designed to return authority and responsibility to state and local governments and to address local needs within the context of overall national goals and individual state priorities.

"From its inception its unique partnership has been characterized by mutual respect and bi-partisanship among the members and recognition that each member has a vital role to play in insuring the integrity of the process. Thus, the Commission has had the flexibility to respond quickly and effectively to a wide variety of economic development issues. While much remains to be done, by any reasonable and objective measure, the ARC has been a key factor in the enhancement of economic growth and improved quality of life in Pennsylvania and throughout the Region."

H.R. 2015, which passed the House by a record margin earlier this year, would enable us to continue the important work of the Appalachian Regional Commission. It would mark a new beginning for the Commission, which has not had a formal authorization since the end of Fiscal Year 1982.

Although the ARC has taken more than its share of budget cuts in the last decade, it is a measure of the strong bi-partisan support for the Commission among the Governors and in the Congress that, despite the opposition of the Reagan Administration, the ARC has survived, and continues to do the work which the Congress mandated for it twenty-five years ago. And, I might add, the Governors have clearly welcomed and expressed their gratitude for the new interest in the program shown by the Bush Administration.

H.R. 2015 would enable us to move more quickly toward completion of the 3,000-mile Appalachian Development Highway System, which is now more than two-thirds complete, but on which progress has lagged in the 1980s due to drastically reduced funding.

And it would enable us to take advantage of the economic development opportunities presented by the improved transportation network by providing infrastructure improvements, business development programs, housing assistance, local government assistance, education and training programs, and health care assistance, all of which are pre-requisites to an improved quality of life and to enhanced local development and job growth. For your information and with your permission, I would like to submit for the record specifics about what we would be able to accomplish at an annual funding level of $185 million, as well as at an annual level of $200 million.

Mr. Chairman, I think all 13 Governors would agree with Chairman Anderson of the House Public Works and Transportation Committee, who said during the debate on H.R. 2015:

"...There is a continuing urgency to maintain a federal role in targeting economic programs to areas that have been by-passed during periods of national economic expansion, such as we have recently experienced. The strength of our national economy depends on the cumulative effect of self-sufficient and productive local and regional economies. It is essential that we develop and maintain our nation's economic strength in order to deal with effects of changing world economies."

Mr. Chairman, Appalachia has come a long way. But, we cannot cure a century of neglect and exploitation in one generation. We still need your help. We have made enormous progress, but problems -- serious problems, as I've outlined -- remain.

Mr. Chairman, on behalf of the Governors of the 13 Appalachian states let me express our deep gratitude for your continued support of the Appalachian Regional Commission and our gratitude for this opportunity to appear before you.

I would be pleased to try to answer any questions you might have. Thank you very much.

## ARC AUTHORIZATION LEVEL: $185,000,000

Highway Program. An authorization level of $144 million would:

- complete 30 miles of construction
- place an additional 30 miles under construction
- complete an additional 20 miles of right-of-way
- finance engineering for 20 miles

Nonhighway Programs. An authorization level of $37.5 million would provide resources for both area community development and human development, and for LDD's and Commission technical assistance.

Community Development - $26.6 million for local development projects such as:

- infrastructure improvements serving about 45 enterprise sites
- 22 business development programs conducted by states and LDD's
- 300 units of new or rehabilitated housing for low and moderate income families
- $3.4 million in assistance for local government demonstrations in service consolidation, cost savings, more effective delivery of services, addressing environmental problems, or for downtown revitalization initiatives.
- $8 million in special assistance for the Region's most distressed and underdeveloped counties, providing clean water to about 4,000 families.

Human Development - $6.1 million for three activity areas:

- Rural Education ($4.3 million), including projects for school dropout prevention, workforce literacy, customized job training, support for teacher networks, establishment of distance learning sites in isolated rural schools and technology education at the post-secondary level.
- Infant Mortality Reduction -- $800,000 will be used for about 15 county level projects reaching an estimated 2500 cases annually.
- development of youth leadership programs in the Region -- $1 million for a projected 35 youth directed projects.

LDD and Technical Assistance - $4.2 million

- $3.2 million will fund ARC contributions to administrative expenses of the 69 local development districts.
- $1 million requested for Commission technical assistance directed to enhancing the economic competitiveness of the Region.

## ARC AUTHORIZATION LEVEL: $200,000,000

Highway Program. An authorization level of $144 million would:

- complete 30 miles of construction
- place an additional 30 miles under construction
- complete an additional 20 miles of right-of-way
- finance engineering for 20 miles

Nonhighway Programs. An authorization level of $52.5 million would provide resources for both area community development and human development, and for LDD's and Commission technical assistance.

Community Development - $34.1 million for local development projects such as:

- infrastructure improvements serving about 63 enterprise sites
- 30 business development programs conducted by states and LDD's
- 1000 units of new or rehabilitated housing for low and moderate income families
- $4.0 million in assistance for local government demonstrations in service consolidation, cost savings, more effective delivery of services, addressing environmental problems, or for downtown revitalization initiatives.
- $12 million in special assistance for the Region's most distressed and underdeveloped counties, providing clean water to about 6,000 families.

Human Development - $13.6 million for the following activities:

- Rural Education ($10.0 million), including projects for school dropout prevention, workforce literacy, customized job training, support for teacher networks, establishment of distance learning sites in isolated rural schools and technology education at the post-secondary level, including programs to help small manufacturers become more competitive.
- Infant Mortality Reduction -- $800,000 will be used for about 15 county level projects reaching an estimated 2500 cases annually.
- $1.8 million for other rural human development programs, including health manpower recruitment and retention, development of rural health partnerships to resolve health availability problems, and child care programs.
- development of youth leadership programs in the Region -- $1 million for a projected 35 youth directed projects.

LDD and Technical Assistance - $4.2 million

- $3.2 million will fund ARC contributions to administrative expenses of the 69 local development districts.
- $1 million requested for Commission technical assistance directed to enhancing the economic competitiveness of the Region.

STATEMENT BY DOUGLAS J. ALLER
DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT
TO THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
SUBCOMMITTEE ON WATER RESOURCES
SEPTEMBER 13, 1990

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present to you today the Administration's position on H.R. 2015, a bill that would authorize the Economic Development Administration for FYs 1991, 1992 and 1993.

If H.R. 2015 were presented to the President in its current form, the Secretary of Commerce and the Assistant Secretary for Economic Development would recommend that the bill be disapproved. The Administration's position on EDA is well-known. The President has proposed for FY 1991 zero funding for EDA programs, and has proposed phasing out the agency within five years. Because H.R. 2015 would authorize appropriations totaling $828 million during FYs 1991-1993, this legislation is not compatible with Administration goals.

It is the view of the Economic Development Administration that, in highly distressed areas, incentives outlined in the Administration's Enterprise Zone proposal would be more effective than EDA programs. Also, economic expansion and job creation fostered by the President's national economic policies will enhance private investors' or state and local government efforts to fund economic development projects.

FY 1989 PROGRAM OPERATIONS

I would like to review for you the FYs 1989 and 1990 operations for EDA, as well as FY 1991 program objectives from the perspectives of the Congress and the continuing viewpoint of the Administration.

For 1989, EDA was appropriated $24.7 million in administrative funds, $150.0 million in loan guarantee authority, and $182.0 million in grant funds. In the area of Public Works, EDA awarded 198 grants with total estimated project costs of $290.6 million of which the EDA investment was $123.8 million. The average EDA participation rate was 49 percent which is the same as in FY 1988 and slightly below the 55 percent participation rate in FY 1987; the average grant amount was $625,000 as compared to $604,000 in FY 1988.

The Economic Adjustment program funded 65 regular projects with a total EDA investment of $22.2 million. Of these amounts, 19 grants for $7.0 million were used to establish new Revolving Loan Funds (RLFs); nine grants for $3.9 million were used to recapitalize existing RLFs; and 35 grants for $11.3 million were awarded in response to Sudden and Severe Economic Dislocations. Of the latter, 18 projects for $75[illegible] thousand went for adjustment strategy grants and 17 projects for approximately $10.4 million were for implementation grants. In addition, EDA provided $5 million to

the Department of Labor to assist in the immediate cleanup efforts and short-term job dislocations resulting from the destruction caused by Hurricane Hugo.

During FY 1989, EDA's Planning program provided 55 grants to Indian organizations, 282 grants to Economic Development Districts, and 37 grants to state and urban areas. This included funding for eight new districts not previously funded. These grants had a total value of $23.0 million. In the Technical Assistance program, 122 grants valued at $6.8 million were awarded, including 11 new University Centers, which were funded with monies made available from the graduation program. EDA also funded 14 research projects totalling $1.0 million.

Lastly, EDA approved two Business Development loan guarantees in FY 1989 with a face value of $3.15 million. This marked the first time in three years that loan guarantees had been approved. I might note also that two loan guarantees have been awarded so far this fiscal year. In the area of debt collection, the Office of Loan Programs collected $46.9 million. Delinquencies were reduced $22.6 million and now constitute $192.8 million, or 45 percent, of the business and public works direct loan portfolio of $422.6 million.

FY 1990 APPROPRIATIONS AND CURRENT OBLIGATIONS

For FY 1990, EDA was appropriated $25.4 million in administrative funds, $150.0 million in loan guarantee authority and $189.0 million in grant funds. To date, we have obligated some $111.9 million in grant funds and provided $2.35 million in loan guarantees. Projects being considered which are currently in the pipeline are more than adequate to expend the balance of the grant appropriation. The following table summarizes the FY 1990 appropriation and obligations by major programs as of September 5, 1990.

(in thousands of dollars)

| Account/Program | Annual Appropriation | Obligations No. | Obligations Amount |
|---|---|---|---|
| Salaries and expenses..... | $25,356 | N/A | $23,330 |
| Loan Guarantee Authority..... | (150,000) | (2) | (2,335) |
| Economic development assistance programs (EDAP) | | | |
| Public works..... | 109,830 | 102 | 73,370 |
| Planning assistance..... | 23,102 | 342 | 19,304 |
| Districts..... | (15,543) | (282) | (16,157) |
| Indians..... | (2,835) | (55) | (2,652) |
| States..... | (1,890) | (1) | (147) |
| Urban..... | (2,834) | (4) | (348) |
| Technical assistance..... | 6,613 | 40 | 2,996 |
| University Center Program... | (4,724) | (33) | (2,641) |
| Research and evaluation..... | 1,193 | 3 | 545 |
| Economic adjustment..... | 48,242 | 44 | 15,693 |
| Revolving loan fund..... | (12,035) | (19) | (7,175) |
| Sudden and severe..... | (36,207) | (25) | (8,518) |
| Total..... | 188,980 | 531 | 111,908 |

EVALUATIONS

We are looking at ways with personnel recommendations to make EDA more efficient and to insure that EDA grant programs complement eacn other in achieving the goals and objectives of the agency oy streamlining program support and management.

To try to determine the effectiveness of past public works projects, Assistant Secretary Hampers requested a study which examines approximately 2,100 projects approved between 1977 and 1985. The information produced by the study could be disseminated to state and local funding sources to help guide their programmatic decisions.

Additionally, the Assistant Secretary requested a staffing study, currently under way, to review regional and headquarters grant processing time which should suggest parameters to increase the efficiency of all grant programs.

MANAGEMENT AND POLICY

EDA will continue to encourage projects that reflect the Department of Commerce priorities including tecnnology transfer, global competitiveness, export trade, rural tourism and job skill training. EDA realizes that private sector involvement is critical to economic development of local economies and that we must encourage and support initiatives

that are beneficial to the business community. EDA funded a pilot project 18 months ago which started several Bank Community Development Corporations designed to allow banks and bank holding companies to make investments in the community that encourage economic development. Requests for the EDA-sponsored manual and video from banks all over the country have been tremendous, and several established CDC's have already proven successful. It is projects like this which EDA will seek out and encourage.

CONCLUSION

Mr. Chairman, that concludes my prepared statement. I would like to introduce my staff with me here today:

Hugh Farmer, Deputy Assistant Secretary for Grant Programs

Michael Oberlitner, Acting Deputy Assistant Secretary for Loan Programs

Joseph Levine, Chief Counsel

Vince Goodman, Budget Director

I would now welcome the opportunity to answer any questions you may have.

TESTIMONY BY SALLY HERNANDEZ-PINERO
DEPUTY MAYOR FOR FINANCE AND ECONOMIC DEVELOPMENT
CITY OF NEW YORK

REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION

U.S. SENATE COMMITTEE ON THE ENVIRONMENT AND PUBLIC WORKS
SUBCOMMITTEE ON WATER RESOURCES, TRANSPORTATION AND
INFRASTRUCTURE

SEPTEMBER 13, 1990

GOOD MORNING AND THANK YOU, MR. CHAIRMAN, FOR THE OPPORTUNITY TO SPEAK WITH YOU ABOUT THE REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION.

MY NAME IS SALLY HERNANDEZ-PINERO AND I AM THE DEPUTY MAYOR FOR FINANCE AND ECONOMIC DEVELOPMENT FOR THE CITY OF NEW YORK. AS DEPUTY MAYOR, I AM RESPONSIBLE FOR ESTABLISHING POLICIES TO ENCOURAGE BUSINESS AND ECONOMIC DEVELOPMENT IN NEW YORK CITY AND FOR OVERSEEING THE IMPLEMENTATION OF THESE POLICIES BY ALL OF OUR ECONOMIC DEVELOPMENT AGENCIES.

I AM ENCOURAGED THAT, AFTER MORE THAN TEN YEARS OF CONTINUING APPROPRIATIONS, THE CONGRESS IS CONSIDERING REAUTHORIZATION AND AMENDMENT OF THE PROGRAMS RUN BY THE EDA. AS YOU KNOW, THE EDA IS THE ONLY MAJOR FEDERAL PROGRAM REMAINING TO ASSIST THE DEVELOPMENT OF COMMERCIAL AND INDUSTRIAL PROJECTS.

WITH THIS ASSISTANCE, STATES AND LOCALITIES ARE ABLE TO CREATE AND RETAIN JOBS THROUGHOUT THIS COUNTRY. IF THE UNITED STATES IS TO REMAIN GLOBALLY COMPETITIVE, A LARGE COMMITMENT MUST BE MADE BY THE FEDERAL GOVERNMENT TO FUND AND EXPAND PROGRAMS SUCH AS THOSE

OF THE EDA.

IN THESE VERY DIFFICULT ECONOMIC TIMES FACING OUR NATION, THE CATALYST OF EDA FUNDS WILL BE CRUCIAL IF WE ARE TO SPUR THE PRIVATE SECTOR TO CREATE AND RETAIN JOBS.

WHILE THE POTENTIAL FOR EDA PROGRAMS TO ASSIST THIS COUNTRY IS ENORMOUS, I AM CONCERNED THAT THE AGENCY'S PAST EMPHASIS ON RURAL AREAS HAS LEFT OUR NATION'S URBAN AREAS WITHOUT THE ECONOMIC DEVELOPMENT ASSISTANCE INTENDED BY CONGRESS.

IN THE LATE 1970s, EDA FUNDS WERE FAIRLY EVENLY DIVIDED BETWEEN RURAL AND URBAN AREAS. YET, BY 1988, THE ECONOMIC DEVELOPMENT ADMINISTRATION ANNOUNCED IN ITS ANNUAL REPORT THAT FULLY 80 PERCENT OF EDA FUNDS WENT TO RURAL AREAS.

BY NARROWLY INTERPRETING STATUTORY CRITERIA, URBAN AREAS HAVE LOST OUT ON THESE FUNDS MADE AVAILABLE BY CONGRESS. THIS PRACTICE IS ESPECIALLY HARMFUL TO URBAN AREAS BECAUSE OF THE DISSOLVING FEDERAL FUNDS AVAILABLE TO THESE COMMUNITIES FROM OTHER PROGRAMS OF THE DEPARTMENTS OF COMMERCE AND HOUSING AND URBAN DEVELOPMENT.

I HAVE REVIEWED THE REVISED PROGRAM CRITERIA INCLUDED IN THE BILL--H.R. 2015--THAT WAS PASSED BY THE HOUSE OF REPRESENTATIVES TO REAUTHORIZE THE EDA. THESE PROPOSED CRITERIA REINFORCE THE AGENCY'S PREDISPOSITION TO GRANT FUNDS TO RURAL AREAS.

I URGE THE SENATE TO AMEND THE BILL'S CRITERIA TO RECOGNIZE THE IMPORTANCE OF THE DISTRESS ENCOUNTERED BY URBAN AREAS IN ADDITION TO THAT ENCOUNTERED BY RURAL AREAS.

LARGE URBAN AREAS, INCLUDING NEW YORK CITY, WILL SIMPLY NOT QUALIFY FOR EDA FUNDS IF THE QUALIFICATION CRITERIA IN H.R. 2015 IS NOT AMENDED.

BY CONCENTRATING ON PER CAPITA INCOME AND AVERAGE UNEMPLOYMENT FOR AN ENTIRE CITY OR COUNTY, H.R. 2015 IGNORES THE EXISTENCE OF MANY HEAVILY DISTRESSED POCKETS OF POVERTY WITHIN LARGE URBAN AREAS.

THESE COMMUNITIES, MANY OF THEM LOW-INCOME AND PREDOMINATELY MINORITY, SUFFER FROM DISTRESS WHICH IS AS SEVERE AS THAT SUFFERED BY RURAL AREAS. GIVEN THE EDA'S STRONG RELUCTANCE IN THE PAST TO QUALIFY "POCKETS OF POVERTY" FOR FUNDS, THESE AREAS WILL NOT BENEFIT FROM EDA PROGRAMS IF THE LARGER CITIES IN WHICH THEY ARE LOCATED DO NOT QUALIFY UNDER THE STATUTORY CRITERIA.

MUCH OF THE DISTRESS IN LARGE URBAN AREAS IS ATTRIBUTABLE TO TRAINING AND EDUCATION DEFICIENCIES THAT WE ARE CURRENTLY WORKING VERY HARD TO ADDRESS. YET, THIS DISTRESSED POPULATION IS NOT COUNTED AMONG THE UNEMPLOYED BECAUSE THEY CAN'T GET PAST THE STARTING GATE OR THEY HAVE ALTOGETHER GIVEN UP LOOKING FOR JOBS.

IT IS CRUCIAL THAT THE EDA REAUTHORIZATION STATUTE RECOGNIZE THE DISTRESS ATTRIBUTABLE TO <u>UNDEREMPLOYMENT</u> AS WELL AS <u>UNEMPLOYMENT.</u>

IN SEPARATE WRITTEN COMMENTS SUBMITTED TO THE SUBCOMMITTEE, THE CITY OF NEW YORK RECOMMENDS AN AMENDMENT TO THE STATUTORY CRITERIA WHICH INCLUDES THE LABOR FORCE PARTICIPATION RATE AS A MEASURE OF DISTRESS. THIS STATISTIC, COLLECTED BY THE BUREAU OF LABOR STATISTICS OF THE U.S. DEPARTMENT OF LABOR, CAPTURES THE LONG

TERM, CHRONIC EMPLOYMENT DISTRESS SUFFERED BY MANY LARGER CITIES.

THE INCLUSION OF THIS MEASURE IN THE EDA CRITERIA WILL GO A LONG WAY TOWARDS ADDRESSING THE PROBLEMS AND NEEDS IDENTIFIED BY THE CONGRESS IN ITS OWN FINDINGS IN H.R. 2015, NAMELY, THE PROBLEM OF "SUBSTANTIAL AND PERSISTENT UNEMPLOYMENT AND UNDEREMPLOYMENT" AND THE NEED TO ASSIST "SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS FROM GROUPS THAT SUFFER THE EFFECTS OF PAST AND PRESENT DISCRIMINATORY PRACTICES."

IN ADDITION TO AMENDING THE STATUTORY CRITERIA TO ALLOW URBAN CENTERS TO QUALIFY TO RECEIVE EDA ASSISTANCE, IT IS CRUCIAL THAT THE FACTORS WHICH THE SECRETARY OF COMMERCE MUST TAKE INTO ACCOUNT IN AWARDING GRANTS UNDER SECTION 104 ALSO BE AMENDED TO INCLUDE CONSIDERATION OF UNDEREMPLOYMENT AND STRUCTURAL EMPLOYMENT PROBLEMS.

FINALLY, THE SENATE SHOULD RECONSIDER THE FUNDING AUTHORIZATION LEVEL WHICH IS PROVIDED IN H.R. 2015. UNDER THIS BILL, THE AUTHORIZATION LEVEL FOR THE ECONOMIC DEVELOPMENT ADMINISTRATION PROGRAMS HAS BEEN INCREASED FROM THE CURRENT APPROPRIATION LEVEL OF 182 MILLION DOLLARS TO 276 MILLION DOLLARS FOR THE ENTIRE NATION.

WHILE THE CITY OF NEW YORK IS PLEASED BY AN INCREASE, THIS AUTHORIZATION STILL DOES NOT APPROACH THE EDA'S 500 MILLION DOLLAR APPROPRIATION BACK IN 1981.

GIVEN THE ENORMITY OF THE NATION'S NEED FOR JOB GROWTH AND CREATION, ESPECIALLY IN THESE DIFFICULT ECONOMIC TIMES, THE FEDERAL GOVERNMENT MUST MAKE A LARGER COMMITMENT TO THESE PROGRAMS.

I URGE THE SENATE TO INCREASE THE AUTHORIZATION LEVEL TO AT LEAST THE 1981 LEVEL OF 500 MILLION DOLLARS.

TOGETHER WITH THIS INCREASE IN AUTHORIZATION LEVEL, IT IS CRUCIAL THAT THE SENATE INCREASE THE CAPS IN H.R. 2015 THAT LIMIT GRANTS UNDER THE EDA'S REVOLVING LOAN FUND TO ONE MILLION DOLLARS AND GRANTS TO ANY RECIPIENT TO FOUR MILLION DOLLARS.

THESE CAPS UNFAIRLY PENALIZE LOCAL GOVERNMENTS WITH LARGE POPULATIONS AND SUBSTANTIAL ECONOMIC DEVELOPMENT NEEDS RELATIVE TO SMALL RURAL AREAS THAT WILL NEVER REACH THESE CAPS. THERE ARE TREMENDOUS NEEDS IN OUR CITIES FOR FEDERAL JOB CREATION AND RETENTION ASSISTANCE THAT SHOULD BE RECOGNIZED IN THE EDA REAUTHORIZATION BILL.

LARGE CITIES, INCLUDING NEW YORK CITY, HAVE SPENT EDA MONEY VERY EFFECTIVELY IN THE PAST TO CREATE JOBS AND SHOULD BE ALLOWED TO RECEIVE THEIR FAIR SHARE IN THE FUTURE.

IF SOME CAPS ARE DEEMED NECESSARY TO EQUITABLY ALLOCATE FUNDS ACROSS THE COUNTRY, WE SUGGEST AN INCREASE IN THE CAPS TO FIVE MILLION DOLLARS FOR REVOLVING LOAN FUNDS AND FIFTEEN MILLION DOLLARS PER RECIPIENT FOR COUNTIES OR CITIES WITH POPULATIONS EXCEEDING A CERTAIN LEVEL, SAY FIFTY OR ONE HUNDRED THOUSAND.

I AM HERE TO URGE YOU TO AMEND THE ECONOMIC DEVELOPMENT ADMINISTRATION REAUTHORIZATION BILL BECAUSE EDA FUNDS AND PROGRAMS HAVE BEEN CRITICAL TO THE GROWTH AND DEVELOPMENT OF NEW YORK CITY AND OTHER URBAN AREAS IN THE PAST AND WE NEED THESE PROGRAMS TO REMAIN RELEVANT IN THE FUTURE.

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EDA FUNDS HAVE BEEN CRUCIAL IN FILLING FINANCING GAPS FOR A WIDE VARIETY OF COMMERCIAL AND INDUSTRIAL PROJECTS THAT HAVE GENERATED THOUSANDS OF JOBS THROUGHOUT OUR COMMUNITIES.

FOR EXAMPLE, AN EDA GRANT FOR $1.36 MILLION WAS AWARDED TO THE CITY IN MAY 1988 TO FUND THE CONSTRUCTION OF A PERMANENT FARMER'S MARKET IN JAMAICA QUEENS, NEW YORK. THE PROJECT INVOLVES CONSTRUCTION OF A FARMER'S HALL, SEMI-ENCLOSED MARKET STALL, AND THE RENOVATION OF AN EXISTING BUILDING TO HOUSE SMALL RETAIL FOOD SHOPS AND EATERIES.

THIS PROJECT IS HELPING US ARREST AND ELIMINATE BLIGHT, AND CREATE PRIMARY RETAIL ACTIVITY CONSISTENT WITH THE COMMUNITY DEVELOPMENT GOALS OF QUEENS BY REVITALIZING AND SUSTAINING AN AREA IN TRANSITION.

AND, ANOTHER IMPORTANT EDA GRANT FOR $1.3 MILLION DOLLARS HAS HELPED US FUND THE CONSTRUCTION OF THE EAST BROOKLYN INDUSTRIAL INCUBATOR--A SINGLE-STORY, 30-THOUSAND SQUARE FOOT MASONRY AND PRE-FABRICATED METAL FACILITY.

THE FACILITY PROVIDES MODERN, EFFICIENT, AND AFFORDABLE INDUSTRIAL SPACE FOR YOUNG AND GROWING FIRMS--SOMETHING THAT IS IN SHORT SUPPLY IN THIS DISTRESSED BROOKLYN NEIGHBORHOOD.

IT ALSO PROVIDES THESE NEW FIRMS WITH SHARE ON-SITE CLERICAL AND PROFESSIONAL SERVICES AT A COST THAT IS NOT AVAILABLE IN CONVENTIONAL INDUSTRIAL SPACE.

OUR OBJECTIVE WITH THIS INCUBATOR IS TO ENABLE NEW FIRMS TO EXPAND SO THAT THEY WILL OUTGROW THEIR SPACE, RELOCATE IN THE NEIGHBORHOOD AS A SECURE BUSINESS--CREATING MORE JOBS AND MAKING

WAY FOR NEW GROWTH-ORIENTED BUSINESSES.

I ALSO HAVE TECHNICAL COMMENTS ON THE PROPOSED REAUTHORIZATION BILL WHICH I WOULD LIKE TO SUBMIT FOR THE RECORD.

BUT, AT THIS POINT, I WOULD BE GLAD TO ANSWER ANY QUESTIONS THAT MEMBERS MAY HAVE REGARDING MY TESTIMONY.

Testimony of the Pennsylvania Turnpike Commission

Submitted before
the Subcommittee on Water Resources, Transportation
and Infrastructure

Senate Committee on Environment and Public Works
September 13, 1990

Mr. Chairman, as you know, the Appalachian Regional Commission is very important to the Commonwealth of Pennsylvania. ARC programs have been vital to economic development in our state. Pennsylvania has the largest Appalachian population in the Appalachian region and the highest number of highway corridor miles eligible for construction under ARC. We would like to take this opportunity to highlight the particular economic development and transportation needs of the Southwest corner of our state, the Monongahela Valley, and stress the importance of ARC to this region.

The Monongahela Valley has long been one of the foundations for economic strength within Western Pennsylvania. Unfortunately, the Valley has encountered a significant downturn in its economic situation, due to a decline in its traditional industries. Unemployment rates for the region are currently much

higher than national and statewide averages for Pennsylvania, per capita income is low, and jobs are scarce for young employees entering the workforce. These problems are common throughout Appalachia.

Through the recent two decades of economic expansion in the United States, both private industry and public agencies have recognized the value of transportation to the economy of a region. Adequate transportation facilities contribute to the economic advantage of an area. The greater that advantage, the more likely economic development will occur in the form of new jobs, higher wages, and an expanded tax base to support essential services.

An improved transportation system is the missing factor in Southwestern Pennsylvania's economic development. The Mon Valley currently has a vastly underdeveloped arterial highway network; its locational advantage near Pittsburgh and other economic centers is not being realized due to the Valley's isolation. While east-west access through the Valley is good, existing networks of two- and four-lane facilities provide inadequate north-south access through the region. This north-south access is especially important in linking Valley communities to major cities such as Philadelphia, Baltimore-Washington, Chicago, Indianapolis, Cleveland and New York City.

In 1987, Governor Casey chose the Mon Valley Expressway as Pennsylvania's Designated Toll Road Demonstration Project as provided for in the Surface Transportation Act. The Pennsylvania Turnpike Commission, the Pennsylvania Department of Transportation and the State of West Virginia are currently engaged in a cooperative effort to construct the Expressway, which will provide the only direct access between Pittsburgh and the Mon Valley. Preliminary engineering of the southernmost portion of the Expressway -- from Uniontown to Morgantown -- is already underway and on "fast track" status. The Pennsylvania Turnpike Commission is seeking Federal assistance for this project.

Mr Chairman, the ARC process has been a key factor in enhanced economic growth and quality of life in Pennsylvania and throughout Appalachia. The Pennsylvania Turnpike Commission encourages your continued support of ARC programs.

101ST CONGRESS
2D SESSION

# H.R. 2015

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IN THE SENATE OF THE UNITED STATES

APRIL 19 (legislative day, APRIL 18), 1990

Received; read twice and referred to the Committee on Environment and Public Works

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# AN ACT

To amend the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act of 1965.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## TITLE I—NATIONAL DEVELOPMENT INVESTMENT

### SEC. 101. SHORT TITLE.

This title may be cited as the "Public Works and Economic Development Act Amendments of 1990".

**SEC. 102. AMENDMENT TO PUBLIC WORKS AND ECONOMIC ACT OF 1965.**

The Public Works and Economic Development Act of 1965 is amended to read as follows:

**"SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

"(a) SHORT TITLE.—This Act may be cited as the 'National Development Investment Act'.

"(b) TABLE OF CONTENTS.—

"TITLE I—DEVELOPMENT INVESTMENT ASSISTANCE

"Sec. 101. Findings and purposes.
"Sec. 102. Development investment assistance.
"Sec. 103. Qualifying applicants and limitations on locations of projects.
"Sec. 104. Application for grant.
"Sec. 105. Distress requirements.
"Sec. 106. Development investment strategy.
"Sec. 107. Limitations on revolving loan funds.
"Sec. 108. Federal share.
"Sec. 109. Limitations.
"Sec. 110. Community development corporations.
"Sec. 111. Obligation of funds.
"Sec. 112. Authorization of appropriations.

"TITLE II—INVESTMENT STRATEGY, PLANNING, EVALUATION, AND DEMONSTRATION

"Sec. 201. Investment strategy and planning.
"Sec. 202. Evaluation and demonstration.
"Sec. 203. Federal share.
"Sec. 204. Obligation of funds.
"Sec. 205. Authorization of appropriations.

"TITLE III—ADMINISTRATION

"Sec. 301. Definitions.
"Sec. 302. Appointment of assistant secretary.
"Sec. 303. Consultation with other persons and agencies.
"Sec. 304. Administration of assistance.
"Sec. 305. Powers of the Secretary.
"Sec. 306. Certification.
"Sec. 307. Savings provisions.
"Sec. 308. Annual report.
"Sec. 309. Prevailing rate of wage.
"Sec. 310. Record of applications.
"Sec. 311. Records and audit.
"Sec. 312. Nondiscrimination requirements.

"Sec. 313. Authorization of appropriations.

# "TITLE I—DEVELOPMENT INVESTMENT ASSISTANCE

## "SEC. 101. FINDINGS AND PURPOSES.

"(a) FINDINGS.—The Congress finds and declares the following:

"(1) Historical and structural economic patterns in national and world markets have resulted in disparate economic conditions among various areas and communities in the United States.

"(2) Some areas and communities suffer from substantial and persistent unemployment and underemployment.

"(3) Economic distress caused by structural problems, severe dislocations, or cyclical downturns adversely affects communities and areas and their residents, industry sectors, and groups within the population. Among the most severely affected in distressed areas are socially and economically disadvantaged individuals from groups which suffer the effects of past and present discriminatory practices.

"(4) The changing national and global economies over the past decade have created new problems and challenges for the Nation. Our trade deficit has increased to serious proportions while our export of manufactured goods to other nations has dropped dramati-

cally, and our export of industrial jobs to other nations has reached an alarming level.

"(5) The private sector remains the ultimate generator of employment and economic growth, but the public sector must reverse decades of infrastructure neglect as a necessary concomitant to private business stability and expansion.

"(6) It is in the national interest to develop a partnership between the public and private sectors to plan and implement development and adjustment activities to alleviate such distress.

"(7) Delivering and coordinating Federal assistance to economically distressed areas and industries and groups within those areas is crucial to the health of the national economy and the well-being of the Nation's citizens.

"(b) PURPOSES.—The Congress declares that the purposes of this Act are—

"(1) to promote balanced national growth and economic development by providing Federal aid to distressed areas in—

"(A) planning and financing public works,

"(B) promoting business assistance and other development activities to foster additional long-

term employment opportunities for the unemployed and underemployed, and

"(C) benefiting the socially and economically disadvantaged, through the stimulation of private investment through Federal assistance;

"(2) to make the Nation's industrial and commercial resources more competitive in national and international markets;

"(3) to build, rehabilitate, and repair public infrastructure where it is inadequate to support and encourage private investment in the area;

"(4) to recognize and rely upon improved State and local governments' capacity to direct their own destinies; and

"(5) to link public and private funds to foster coordination of resources between these sectors, in order to leverage the maximum investment in the long-term economic vitality of all areas.

**"SEC. 102. DEVELOPMENT INVESTMENT ASSISTANCE.**

"(a) GRANTS.—Upon application of an applicant qualifying under section 103 and subject to the provisions of this title, the Secretary is authorized to make a grant to such applicant for one or more of the following:

"(1) CONSTRUCTING AND IMPROVING PUBLIC FACILITIES.—Construction, repair, rehabilitation, and im-

provement of public facilities, including demolition of existing structures and other site preparation measures, and the acquisition of land and other public works improvements to encourage and support private development.

"(2) REVOLVING LOAN FUNDS.—Establishment of revolving loan funds to promote establishment and growth of small businesses and to retain firms and entrepreneurs which contribute to the creation, retention, and expansion of private sector jobs.

"(3) EMPLOYEE STOCK OWNERSHIP PLANS.—Establishment of revolving loan funds to promote establishment of qualified employee ownership organizations which prevent economic dislocation, facilitate economic adjustment, or contribute to economic diversification and long-term economic vitality.

"(b) TECHNICAL ASSISTANCE.—Upon application of an applicant qualifying under section 103 and subject to the provisions of this title, the Secretary may provide technical assistance for improving and enhancing economic development.

**"SEC. 103. QUALIFYING APPLICANTS AND LIMITATIONS ON LOCATIONS OF PROJECTS.**

"(a) APPLICANTS FOR DISTRESSED LOCAL GOVERNMENTS.—The following entities may apply for assistance under section 102 for projects and activities to be carried out

in the jurisdictional area of a unit of local government which meets the requirements of section 105:

"(1) STATE GOVERNMENT.—The State in which the unit of local government is located may apply if—

"(A) such unit has a population of less than 50,000; and

"(B) such unit is located outside the boundaries of an economic development district.

"(2) LOCAL GOVERNMENT.—The unit of local government may apply; except that—

"(A) in any case in which the unit of local government has a population of less than 50,000 and is located outside the boundaries of an economic development district, such unit must consult the State in the preparation of the grant application; and

"(B) in any case in which the unit of local government is located within the boundaries of an economic development district, such unit must consult such district in the preparation of the grant application.

"(3) ECONOMIC DEVELOPMENT DISTRICT.—The economic development district in which the unit of local government is located may apply.

"(4) ECONOMIC DEVELOPMENT ORGANIZATION.—A private or public nonprofit organization established for economic development purposes and representing an area within the jurisdictional area of the unit of local government may apply if—

"(A) such unit has a population of 50,000 or more;

"(B) such unit is located outside the boundaries of an economic development district; and

"(C) the grant application has been approved by such unit.

"(b) APPLICATIONS FOR INDIAN LANDS.—An Indian tribe may apply for assistance under section 102 for projects and activities to be carried out on lands owned by, or held in trust for, such tribe if such lands meet the requirements of section 105.

"(c) APPLICATIONS FOR POCKETS OF POVERTY.—The following entities may apply for assistance under section 102 for projects and activities to be carried out in an area which meets the requirements of section 105 and is located in the jurisdictional area of a unit of local government which has a population of 50,000 or more and does not meet such requirements:

"(1) LOCAL GOVERNMENT.—The unit of local government may apply; except that in any case in

which the unit of local government is located within the boundaries of an economic development district, such unit must consult such district in the preparation of the grant application.

"(2) DEVELOPMENT ORGANIZATION AS APPLICANT.—A private or public nonprofit organization established for economic development purposes and representing the area meeting the requirements of section 105 may apply if such organization consults the unit of local government in the preparation of the grant application.

"SEC. 104. APPLICATION FOR GRANT.

"(a) CONTENTS.—An application for assistance under this title shall include, but need not be limited to—

"(1) a certification that the area over which the applicant has jurisdiction meets the requirements of section 105; except that—

"(A) in any case in which the applicant is a State, economic development district, or an organization described in section 103(a)(4), the certification must be for the area over which the concerned unit of local government has jurisdiction;

"(B) in any case in which the applicant is an Indian tribe, the certification must be for lands

owned by, or held in trust for, such Indian tribe; and

"(C) in any case in which the applicant is an organization described in section 103(c)(2), the certification must be for the area such organization represents;

"(2) a certification relative to the performance of any responsibilities which the Secretary has agreed to accept under section 306; and

"(3) a development investment strategy prepared in accordance with section 106.

"(b) FACTORS TO BE CONSIDERED IN APPROVAL PROCESS.—In approving applications for assistance under this title, the Secretary shall give consideration to—

"(1) the severity of distress in the area for which the grant is to be made;

"(2) the extent to which the grant will result in increased, or more stabilized, permanent employment in such area;

"(3) the ratio of private sector investments committed in such area to the amount of the grant applied for;

"(4) the extent to which the appropriate State and local governments have undertaken or agree to undertake other related actions to encourage economic de-

velopment and the expansion of employment opportunities;

"(5) the effectiveness of the development investment strategy and the degree to which the proposed project contributes to its implementation (including the strategy's relationship to economic problems identified in the strategy), expands employment opportunities in the existing labor market, provides incentives to retain private businesses, expands or improves public facilities, and encourages private investment; and

"(6) the extent to which the strategy and activities are consistent with State and local goals and contribute to long-term economic growth and private sector employment opportunities and establish an overall strengthened economic and business environment which will be self-sustaining.

"(c) LIMITATION ON ASSISTANCE FACILITATING RELOCATIONS.—No assistance may be provided under this title for projects intended to facilitate the relocation of industrial or commercial plants or facilities from one area to another, unless the Secretary finds that such relocation would not significantly and adversely affect employment in, or the economic base of, the area from which the industrial or commercial plant or facility would be leaving.

"SEC. 105. DISTRESS REQUIREMENTS.

"(a) CERTIFICATION.—In order to be eligible for assistance under this title, the applicant must certify that the area which is required by section 103 to meet the requirements of this section meets one or more of the following criteria:

"(1) The area has a per capita income of 80 percent or less of the national average.

"(2) The area has an unemployment rate 1 percent above the national average percentage for the most recent 24-month period for which statistics are available.

"(3) The area has experienced or is about to experience a sudden economic dislocation resulting in job loss that is significant both in terms of the number of jobs eliminated and the effect upon the employment rate of the area.

"(b) DOCUMENTATION OF DISTRESS.—Documentation of distress shall be supported by Federal data, when available, and in other cases by data available through the State government. Such documentation shall be accepted by the Secretary unless it is determined to be inaccurate. The most recent statistics available must be used.

"SEC. 106. DEVELOPMENT INVESTMENT STRATEGY.

"(a) PREPARATION AND CONTENTS.—Except as provided in subsection (b), an applicant for assistance under this title shall prepare a development investment strategy for the

area which is required by section 103 to meet the requirements of section 105. The development investment strategy must—

"(1) identify the economic development problems sought to be addressed by the grant;

"(2) identify past, present, and projected future economic development investments in such area and public and private participants and sources of funding for such investments;

"(3) identify the extent to which the development investment strategy takes into account—

"(A) availability of developable land and space in the area;

"(B) public works, public service, and development facilities in the area;

"(C) availability of low-cost capital;

"(D) tax policy on investments in the area;

"(E) level of skill of the labor force; and

"(F) ability of State and units of local government to provide financial assistance in the management and implementation of the strategy;

"(4) set forth a strategy for addressing the economic problems identified in paragraph (1) and discusses the manner in which the strategy will solve such problems;

"(5) provide a description of the projects necessary to implement the strategy, an estimate and analysis of the costs and anticipated benefits of implementing the strategy, and an estimate of the timetables for completion of such projects;

"(6) provide a summary of public and private resources which are expected to be available for such projects; and

"(7) provide a comprehensive plan which demonstrates participation in all phases of the development and implementation of the development investment strategy by a representative percentage of small business concerns owned and controlled by socially and economically disadvantaged individuals, as defined by section 8(d) of the Small Business Act (15 U.S.C. 637(d)) and relevant subcontracting regulations promulgated pursuant thereto.

"(b) CONSULTATION OF STATE OR ECONOMIC DEVELOPMENT DISTRICT.—In any case in which a unit of local government is the eligible applicant under section 103(a)(2), the unit of local government shall consult the State or economic development district, respectively, in the preparation of a development investment strategy.

"(c) APPROVAL OF DEVELOPMENT ORGANIZATION'S STRATEGY.—In any case in which a private or public non-

profit development organization within a unit of local government is the eligible applicant under section 103(c)(2), the organization must consult the unit of local government in the preparation of the organization's development investment strategy.

"SEC. 107. LIMITATIONS ON REVOLVING LOAN FUNDS.

"(a) PURPOSES AND USES OF GRANTS.—Grants under section 102(a) shall be for the purposes of stimulating small business development and promoting economic growth which contributes to an improved local tax base and the creation of permanent employment opportunities. Such grants may only be made to establish or recapitalize a revolving loan fund which will be used only—

"(1) for making loans or guaranteeing loans to small businesses for initial or working capital, or the purchase, rehabilitation or expansion of facilities or equipment; and

"(2) for making loans or guaranteeing loans to businesses if a relatively small amount of capital is needed to complete financing necessary to retain the business in the area.

"(b) DISTRESS REQUIREMENTS.—A grant made under section 102(a)(2) shall be made on the condition that the revolving loan fund established or recapitalized pursuant to such grant shall be used only for providing assistance de-

scribed in subsection (a) in areas which meet the requirements of section 105.

"(c) LIMITATION ON AMOUNT OF GRANT.—No grant for the establishment or recapitalization of a revolving loan fund under section 102(a)(2) shall be made for more than $1,000,000.

"(d) CREDIT ELSEWHERE TEST.—No loan or guarantee shall be made from a revolving loan fund established or recapitalized pursuant to a grant under section 102(a)(2) unless the financial assistance applied for is not otherwise available from private lenders on terms which in the opinion of the administrator of the revolving loan fund will permit the accomplishment of the project.

"(e) TERMS OF GRANTS.—

"(1) USE ASSURANCES.—Any applicant for a grant for establishment or recapitalization of a revolving loan fund under section 102(a)(2) shall give assurances that amounts of any loan which are repaid to the fund will be available only for the purposes set forth in subsection (a).

"(2) REPAYMENT ASSURANCES.—No loan or guarantee may be made from a revolving loan fund established or recapitalized pursuant to a grant under section 102(a)(2) unless the applicant for such loan or

guarantee provides reasonable assurance of repayment of the loan.

"(3) GRANTEE AS ADMINISTRATOR.—The grantee of any grant for establishment or recapitalization of a revolving loan fund under section 102(a)(2) shall administer the fund.

"(f) CONSIDERATION OF PAST PERFORMANCE.—In determining whether or not to make a grant for recapitalization of a revolving loan fund established or recapitalized pursuant to a grant under section 102(a)(2), the Secretary shall consider past performance of such fund.

**"SEC. 108. FEDERAL SHARE.**

"(a) CONSTRUCTION AND IMPROVEMENT PROJECTS.—The amount of any grant for a project described in section 102(a)(1) shall be that amount which when added to amounts available from all other sources is sufficient to complete such project. In no event shall the amount of any such grant exceed 50 percent of such cost of completing the project as determined at the time of the grant application. The Secretary may increase the maximum percentage of a grant from 50 percent to not more than 80 percent of the costs of completing a project described in section 102(a)(1) for an area which the Secretary determines is one of the most distressed of the areas meeting the distress requirements of section 105; except that the Secretary may not increase such percentage

for more than 25 percent of the grants made in any fiscal year. In developing guidelines for determining which areas are the most distressed, the Secretary shall consider whether (1) the median family income for the area for the most recent 24-month period for which data is available is less than or equal to 75 percent of the national average median family income for such period, or (2) the average unemployment rate for the area for such period is greater than or equal to 2 times the national average unemployment for such period. No additional funds shall be granted or otherwise made available under this Act for any project described in section 102(a)(1) for which a grant has been made under this Act.

"(b) ESTABLISHMENT OF REVOLVING LOAN FUNDS.—The amount of any grant for the establishment of a revolving loan fund under section 102(a) shall not exceed an amount which is equal to the amount of funds available from all other sources for the establishment of such revolving loan fund. The amount of any additional grant for the recapitalization of a revolving loan fund previously established with a grant under section 102(a)(2) shall not exceed an amount which is equal to ⅓ of the amount of funds available from all other sources for such recapitalization.

"(c) INDIAN TRIBES.—In the case of a grant to an Indian tribe under section 102(a), the Secretary may reduce or waive any non-Federal share required by this section.

"SEC. 109. LIMITATIONS.

"(a) OBLIGATIONS IN A STATE.—Except for expenditures to Indian tribes, not more than 15 percent of the appropriations made for a fiscal year pursuant to this title may be expended in any one State.

"(b) OBLIGATIONS TO A PERSON.—The Secretary shall not obligate more than $4,000,000 in any fiscal year to any person (including any State or local government or public organization) for grants under this title, other than grants for establishment of qualified employee ownership organizations.

"SEC. 110. COMMUNITY DEVELOPMENT CORPORATIONS.

"(a) GRANTS.—The Secretary may make grants to community development corporations to assist small businesses by reducing the interest rates for economic development activities to be carried out by such businesses in areas meeting the distress requirements of section 105.

"(b) AGGREGATE AMOUNT.—The aggregate amount of grants under this section may not exceed $10,000,000 in any fiscal year.

"SEC. 111. OBLIGATION OF FUNDS.

"(a) BY MAY 31.—Not later than May 31 of each fiscal year, the Secretary shall obligate for grants under this title not less than 50 percent and not more than 60 percent of the funds appropriated for such fiscal year pursuant to this title.

"(b) BY SEPTEMBER 30.—Not later than September 30 of each fiscal year, the Secretary shall obligate for assistance

under this title the remaining funds appropriated for such fiscal year pursuant to this title.

"SEC. 112. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated to carry out this title, to be available until expended, $200,000,000 per fiscal year for each of fiscal years 1991, 1992, and 1993. Not more than 25 percent of the amount appropriated pursuant to this section for any fiscal year shall be expended to carry out section 102(a)(2).

## "TITLE II—INVESTMENT STRATEGY, PLANNING, EVALUATION, AND DEMONSTRATION

"SEC. 201. INVESTMENT STRATEGY AND PLANNING.

"(a) GRANTS FOR ECONOMIC DEVELOPMENT PLANNING.—The Secretary is authorized to make grants for economic development planning, including the preparation of development investment strategies under section 106 and the payment of administrative expenses, to—

"(1) any State,

"(2) any economic development district,

"(3) any Indian tribe,

"(4) any county if the jurisdictional area of such county meets the requirements of section 105 and is located outside of the boundaries of an economic development district, and

"(5) any other unit of local government with a population of 50,000 or more if the jurisdictional area of such unit meets such requirements and is located outside of the boundaries of an economic development district.

The Secretary is also authorized to make grants for preparation of a development investment strategy under section 106 to any unit of local government with a population of 100,000 or more if the jurisdictional area of such unit meets the requirements of section 105 and, in any case in which such unit is located within the boundaries of an economic development district, such unit consults the district in the preparation of the investment strategy.

"(b) COMPREHENSIVE PLANNING REQUIREMENT.—Planning carried out under this section shall be a part of a comprehensive planning process and shall be a continuous process involving public officials and private citizens in analyzing local economies, defining development goals, determining project opportunities, and formulating and implementing a development program.

"(c) PREPARATION OF STATE PLANS.—Any State economic development plan prepared with assistance under this section shall be prepared by the State with the active participation of units of local government and economic development districts located in whole or in part within such State

and shall set goals for economic development within such State.

"(d) ANNUAL STATE REPORTS.—Each State receiving assistance under this section shall submit to the Secretary an annual report on the planning process assisted under this section.

"(e) DISTRICT AND LOCAL PLANS CONSISTENT WITH STATE PLAN.—Any economic development planning by an economic development district or a unit of local government for which a grant is made under this section shall be consistent with the State economic development plan for the State in which such district or unit is located.

"(f) COORDINATION OF RESOURCES.—Grants under this section shall be used, to the maximum extent possible, to provide coordination of investment for community facilities, economic development, manpower training, and transportation services.

"(g) ENCOURAGEMENT OF ASSISTANCE.—Each applicant for assistance under this section is encouraged to provide project planning, financial analysis, marketing, management, feasibility studies, and other technical and financial assistance to communities and neighborhoods within its boundaries.

"SEC. 202. EVALUATION AND DEMONSTRATION.

"(a) EVALUATION OF DEVELOPMENT INVESTMENT EFFORTS.—The Secretary is authorized to conduct a program of evaluation of Federal, State, and local development investment efforts in order to—

"(1) assist in determining the causes of unemployment, underemployment, severe economic adjustment problems, and chronic distress in areas and regions of the United States; and

"(2) assist in formulating, implementing, or improving programs at the National, State, or local levels which are designed to increase employment in private firms, assist depressed industry sectors, or otherwise promote economic development or adjustment.

"(b) DEMONSTRATION PROGRAMS.—

"(1) IN GENERAL.—The Secretary is authorized to conduct demonstration programs to test the feasibility of new ways to increase productivity and growth designed to make the steel industry and related industries more competitive, to encourage the use and development of innovative technology and research in economic development, to match the labor force with projected labor markets, to improve United States competitiveness, and to encourage economic diversity and regional balance.

"(2) REPORTS.—Not later than 90 days after completion of each demonstration program conducted under this subsection, the Secretary shall transmit to Congress a report on the results of such program.

"(c) ADMINISTRATION.—Programs authorized under subsections (a) and (b) of this section may be carried out by the Secretary acting through the staff of the Department of Commerce, in cooperation with or by the provision of funding to other departments or agencies of the Federal Government, or by contract.

"(d) GRANTS FOR MANAGEMENT AND TECHNICAL ASSISTANCE.—The Secretary is authorized to make grants to colleges, universities, and other organizations to establish and support ongoing programs which provide to businesses and units of local government management and technical assistance for the purposes of promoting productivity, economic development, and employment opportunity.

**"SEC. 203. FEDERAL SHARE.**

"(a) ECONOMIC DEVELOPMENT PLANNING.—The amount of any grant under section 201 may not exceed 75 percent of the cost of economic development planning or of the preparation of a development investment strategy.

"(b) MANAGEMENT AND TECHNICAL ASSISTANCE.—The amount of any grant under section 202(d) may not

exceed 75 percent of the cost of establishing and supporting the ongoing management and technical assistance program.

"(c) DETERMINATION OF NON-FEDERAL SHARE.—In determining the amount of the non-Federal share of costs under this section, the Secretary shall give consideration to all contributions both in cash and in kind, including space, equipment, and services.

"(d) INDIAN TRIBES.—In the case of a grant to an Indian tribe under section 201, the Secretary may reduce or waive any non-Federal share required by this section.

"SEC. 204. OBLIGATION OF FUNDS.

"Not later than December 31 of each fiscal year, the Secretary shall obligate for grants under section 201, 90 percent of the funds appropriated for such fiscal year pursuant to this title, other than those funds made available for purposes of section 202. The remainder of such funds shall be obligated during such fiscal year only for making grants under section 201 in areas meeting the criteria set forth in section 105(a)(3).

"SEC. 205. AUTHORIZATION OF APPROPRIATIONS.

"(a) IN GENERAL.—There is authorized to be appropriated to carry out this title, to be available until expended, $50,000,000 per fiscal year for each of fiscal years 1991, 1992, and 1993.

"(b) LIMITATION ON AMOUNT FOR SECTION 202.—Of sums authorized to be appropriated under subsection (a) of this section, not to exceed $13,000,000 in fiscal year 1991 and not to exceed $15,000,000 in each of fiscal years 1992 and 1993 shall be available for purposes of section 202.

## "TITLE III—ADMINISTRATION

"SEC. 301. DEFINITIONS.

"For purposes of this Act—

"(1) ECONOMIC DEVELOPMENT DISTRICT.—The term 'economic development district' means—

"(A) an economic development district designated on or before January 1, 1990, under section 403(a)(1) of the Public Works and Economic Development Act of 1965; and

"(B) any district within a State which is designated by the Secretary, which district is of sufficient size or population and contains sufficient resources to foster economic development on a scale involving more than one county and does not contain within its boundaries any part of another economic development district designated under subparagraph (A) or under this subparagraph.

"(2) JURISDICTIONAL AREA.—The term 'jurisdictional area' means the area over which a unit of local government has jurisdiction.

"(3) INDIAN TRIBE.—The term 'Indian tribe' means the governing body of an Indian tribe, an Indian authority or tribal organization or entity, an Alaska Native village, or any Indian group which is recognized as an Indian tribe by the Secretary of the Interior, except that the term 'Indian tribe' shall also include those bodies, authorities, organizations, entities, or groups not recognized by the Secretary of the Interior, if such body, authority, organization, entity, or group is recognized as a tribe or other similar appropriate entity by the State in which it is located and such State holds land in trust on behalf of such tribe or other similar appropriate entity.

"(4) QUALIFIED EMPLOYEE OWNERSHIP ORGANIZATION.—The term 'qualified employee ownership organization' includes a qualified employee trust as defined in section 3(c)(2) of the Small Business Act, except that—

"(A) such term shall not be limited to plans maintained by small business concerns or to loans guaranteed under such Act;

"(B) in the case of any form of financial assistance, the principles of section 3(c)(2)(B) of such Act shall apply under regulations prescribed by the Secretary; and

"(C) there shall be periodic reviews of the role, in the management of the concern involved, of employees to whose account stock is allocated.

"(5) SECRETARY.—The term 'Secretary' means the Secretary of Commerce.

"(6) SMALL BUSINESS CONCERN.—The term 'small business concern' means a business that is independently owned and operated, is not dominant in its field of operations, and meets such other criteria as the Secretary, after consultation with the Administrator of the Small Business Administration, may by regulation establish, including numbers of employees and dollar volume of business by industrial classes.

"(7) STATE.—The term 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Commonwealth of the Northern Marianas.

"(8) UNIT OF LOCAL GOVERNMENT.—The term 'unit of local government' means any city, county, town, parish, village, or other general purpose political subdivision of a State.

**"SEC. 302. APPOINTMENT OF ASSISTANT SECRETARY.**

"The Secretary shall administer this Act with the assistance of an Assistant Secretary of Commerce, established

by section 601 of the Public Works and Economic Development Act of 1965. Such Assistant Secretary shall perform such functions as the Secretary may prescribe.

"SEC. 303. CONSULTATION WITH OTHER PERSONS AND AGENCIES.

"The Secretary is authorized from time to time to call together and confer with any persons, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment. The Secretary may make provisions for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

"SEC. 304. ADMINISTRATION OF ASSISTANCE.

"No grant shall be approved under this Act unless the Secretary is satisfied that the project for which Federal assistance is granted will be properly and efficiently administered, operated, and maintained.

"SEC. 305. POWERS OF THE SECRETARY.

"(a) LIST OF POWERS.—In performing his duties under this Act, the Secretary is authorized to do the following:

"(1) Adopt, alter, and use a seal, which shall be judicially noticed.

"(2) Hold such hearings, sit and act at such times and places, and take such testimony, as the Secretary may deem advisable.

"(3) Request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act. Each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary.

"(4) Acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized by this Act.

"(5) Procure by contract the temporary or intermittent services of experts and consultants or organizations therefor as authorized by section 3109(b) of title 5, United States Code, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) in accordance with section 5703 of title 5, United States Code, for persons in the Government service employed intermittently, while so employed.

"(6) Sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne, or final, shall be issued against the Secretary or property of the Secretary.

"(7) Establish such rules, regulations, and procedures as the Secretary may deem appropriate in carrying out the provisions of this Act.

"(b) LIMITATION ON STATUTORY CONSTRUCTION.—Nothing in this Act (including subsection (a)(6)) shall be construed to except the activities under this Act from the application of sections 517, 547, and 2679 of title 28, United States Code.

**"SEC. 306. CERTIFICATION.**

"(a) ACCEPTANCE.—The Secretary may discharge any of his responsibilities relative to a project for which a grant may be made under title I of this Act by accepting a certification by the applicant of the applicant's performance of such responsibilities.

"(b) RESCISSION OF ACCEPTANCE.—Acceptance by the Secretary of an applicant's certification under this section

may be rescinded by the Secretary at any time if, in the opinion of the Secretary, it is necessary to do so.

"(c) REGULATION.—The Secretary shall issue such guidelines and regulations as may be necessary to carry out this section.

"SEC. 307. SAVINGS PROVISIONS.

"(a) AFFECT ON PROCEEDINGS.—No suit, action, or other proceeding lawfully commenced by or against the Secretary or Assistant Secretary or any other officer in his or her official capacity or in relation to the discharge of his or her official duties under the Public Works and Economic Development Act of 1965, shall abate by reason of the taking effect of the amendment by section 102 of the Public Works and Economic Development Act Amendments of 1990, but the court may, on a motion or supplemental petition filed at any time within 12 months after the effective date of such amendment, showing a necessity for the survival of such suit, action, or proceeding to obtain a settlement of the questions involved, allow such suit, action, or proceeding to be maintained by or against the Secretary or Assistant Secretary or such other officer of the Department of Commerce as may be appropriate.

"(b) EXISTING REGULATIONS AND PROCEEDINGS.—All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to

applicable law, before the effective date of such amendment, by any agency, officer, or office pertaining to any functions, powers, and duties under the Public Works and Economic Development Act of 1965 shall continue in full force and effect after such effective date until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

"SEC. 308. ANNUAL REPORT.

"The Secretary shall make a comprehensive and detailed annual report to Congress of operations under this Act for each fiscal year beginning after the year ending September 30, 1990. Such report shall be printed and shall be transmitted to Congress not later than February 1 of the year following the fiscal year with respect to which such report is made.

"SEC. 309. PREVAILING RATE OF WAGE.

"(a) GENERAL RULE.—All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Act of March 3, 1931, commonly known as the Davis-Bacon Act (46 Stat. 1494; 40 U.S.C. 276a–276a–5).

"(b) ASSURANCE.—The Secretary shall not extend any financial assistance under this Act for any project without first obtaining adequate assurance that the standards required by subsection (a) will be maintained upon the construction work.

"(c) FUNCTION OF SECRETARY OF LABOR.—The Secretary of Labor shall have, with respect to the standards required by subsection (a), the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. App.), and section 2 of the Act of June 13, 1934 (48 Stat. 948; 40 U.S.C. 276c).

"SEC. 310. RECORD OF APPLICATIONS.

"The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of each application approved for a grant under this Act, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved:

"(1) The name of the applicant.

"(2) The amount and duration of the grant for which application is made.

"(3) The purposes for which the proceeds of the grant are to be used.

"SEC. 311. RECORDS AND AUDIT.

"(a) GENERAL RULES.—

"(1) RECORDS.—Each recipient of a grant under this Act shall keep such records as the Secretary shall prescribe, including records which—

"(A) fully disclose the amount and the disposition by such recipient of the proceeds of such grant, the total cost of the project or undertaking in connection with which such grant is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources; and

"(B) review the efficiency, economy, and effectiveness of the project carried out under this Act.

"(2) REPORTS TO SECRETARY.—Not later than January 11 and July 11 of each year, each recipient shall transmit a report to the Secretary containing all information prescribed under paragraph (1) which relates to all activities carried out during the preceding period relating to grants made to it under this Act. Each report submitted in January of each year shall include an audited statement of all funds spent on the project or undertaking during the preceding fiscal year. Such statement shall be prepared in accordance with

chapter 75 of title 31, United States Code, or agency regulations governing the audit of nonprofits.

"(b) ACCESS TO INFORMATION.—For the purpose of reviewing the efficiency, economy, and effectiveness of programs carried out under the provisions of the Act, including audit and examination, the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of any recipient, subrecipient, contractor, or subcontractor that are pertinent to assistance received under this Act.

"SEC. 312. NONDISCRIMINATION REQUIREMENTS.

"In administering this Act, the Secretary may not—

"(1) discriminate in favor of or against any qualified applicant based on the fact that the area in which the project would be located is either rural or urban in character;

"(2) create separate allocations of funds to provide assistance for urban and rural areas unless such allocations are based on objective findings of relative levels of distress in areas qualified for assistance under this Act; or

"(3) deny assistance to a qualified applicant based on the fact that the project area is located in a State which has a low level of unemployment.

"SEC. 313. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated for salaries and administrative expenses to carry out the provisions of this Act $26,000,000 per fiscal year for each of fiscal years 1991, 1992, and 1993. Appropriations under this Act shall remain available until expended. Any contract entered into pursuant to this Act shall be effective only to such extent and in such amounts as may be provided in advance in an appropriation Act.".

## TITLE II—APPALACHIAN REGIONAL DEVELOPMENT

SEC. 201. SHORT TITLE.

This title may be cited as the "Appalachian Regional Development Act Amendments of 1990".

SEC. 202. FINDINGS AND PURPOSES.

Section 2 of the Appalachian Regional Development Act of 1965 is amended—

(1) in subsection (a) by striking out the period at the end of the 6th sentence and inserting in lieu thereof "and in severely distressed and underdeveloped counties and areas lacking resources for basic services."; and

(2) by adding at the end of such section the following new subsection:

"(c) The Congress further finds and declares that, while substantial progress has been made in fulfilling many of the

objectives of this Act, rapidly changing national and global economics over the past decade have created new problems and challenges for rural areas throughout the Nation and especially for the Appalachian region. Thus, the problems of the region are not only to provide the infrastructure necessary to economic and human resource development, to develop its industry, and to generate a diversified regional economy, but to make the region's industrial and commercial resources more competitive in national and world markets. It is, therefore, also the purpose of this Act to provide a framework for coordinating Federal, State, and local initiatives to respond to the economic competitive challenge through improving the skills of the region's manpower, adapting and applying new technologies for the region's businesses, and improving the access of the region's businesses to the technical and financial resources necessary to their development while continuing to address the need to provide basic services for the more disadvantaged areas of the region so as to provide a fairer opportunity for the people of the region to share the quality of life generally enjoyed by citizens across this Nation.".

**SEC. 203. AUTHORIZATIONS FOR ADMINISTRATIVE EXPENSES.**

Section 105(b) of the Appalachian Regional Development Act of 1965 is amended by striking out the period at the end thereof and inserting in lieu thereof the following: ",

and not to exceed $3,500,000 per fiscal year for each of fiscal years 1991, 1992, and 1993. Of amounts appropriated pursuant to the preceding sentence for each of fiscal years 1991, 1992, and 1993, not to exceed $1,000,000 shall be available for expenses of the Federal cochairman, his alternate, and his staff.".

SEC. 204. EXTENSION OF LEASE TERMS.

Section 106(7) of the Appalachian Regional Development Act of 1965 is amended by striking out "1982" and inserting in lieu thereof "1993".

SEC. 205. HIGHWAY SYSTEM.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 201(g) of the Appalachian Regional Development Act of 1965 is amended by striking out the period at the end thereof and inserting in lieu thereof the following: "; and $144,000,000 per fiscal year for each of fiscal years 1991, 1992, and 1993.".

(b) FEDERAL SHARE.—

(1) GENERAL RULE.—Section 201(h)(1) of such Act is amended by striking out "70 per centum" and inserting in lieu thereof "80 percent".

(2) APPLICABILITY.—The amendment made by paragraph (1) shall apply to projects approved after March 31, 1979.

**SEC. 206. DEFINITIONS.**

(a) UPDATING OF COVERED FEDERAL GRANT-IN-AID PROGRAMS.—The first sentence of section 214(c) of the Appalachian Regional Development Act of 1965 is amended by striking out "December 31, 1980" and inserting in lieu thereof "October 1, 1994".

(b) LIMITATION ON COVERED ROAD PROJECTS.—The second sentence of such section is amended by inserting "authorized by title 23, United States Code" after "road construction".

**SEC. 207. PROGRAM DEVELOPMENT CRITERIA.**

Section 224(a) of the Appalachian Regional Development Act of 1965 is amended by inserting before the semicolon at the end of paragraph (1) the following: "or in a severely distressed and underdeveloped county or area lacking resources for basic services".

**SEC. 208. REMOVAL OF LIMITATION.**

Section 224(b) of the Appalachian Regional Development Act of 1965 is amended—

(1) by striking out "(2) to finance" and all that follows through "(3)" and inserting in lieu thereof "(2)"; and

(2) by striking out "(4)" and inserting in lieu thereof "(3)".

**SEC. 209. MAXIMUM FEDERAL SHARE.**

Section 224 of the Appalachian Regional Development Act of 1965 is amended by adding at the end thereof the following new subsection:

"(d) MAXIMUM FEDERAL SHARE.—Notwithstanding any other provision of this Act, after September 30, 1990, grants made with funds authorized under this Act shall not exceed 50 percent of the costs of any project approved under this Act (except projects under section 201); except that, notwithstanding any limitation of any other Federal law, such grants may increase the Federal contribution to any project being carried out under such other law and eligible for financial assistance under this Act to such percentage as the Commission determines appropriate within the limitations of this Act. The Commission may increase the maximum percentage of a grant from 50 percent to not more than 80 percent of the costs of a project approved under this Act for a county which the Commission determines is one of the most distressed counties in the Appalachian region; except that the Commission may not increase such percentage for more than 25 percent of the grants made in any fiscal year.".

**SEC. 210. GRANTS FOR ADMINISTRATIVE EXPENSES AND DEMONSTRATION PROJECTS.**

(a) GENERAL RULE.—Section 302(a)(3) of the Appalachian Regional Development Act of 1965 is amended—

(1) by inserting after "technical assistance" the following: "(including technical assistance for business development and stabilization and application of technologies and productivity improvement)";

(2) by inserting after "training programs" the following: "(including on-site employee training and programs to upgrade employability of the region's people)"; and

(3) by inserting after "demonstrations" the following: "(including demonstrations of service consolidations and other methods of increasing efficiency of local governments, the establishment and operation by States, public agencies, or nonprofit development organizations of revolving funds for business assistance loans, the establishment and operation of business incubators and the provision of industrial facilities and equipment by public agencies and nonprofit organizations on such terms (including terms of reasonable recovery of grant funds upon resale) as are approved by the Commission, and the acquisition and development of land)".

(b) LIMITATIONS ON DEMONSTRATION GRANTS.—Subsection (b)(1) of such section is amended—

(1) by striking out ", (3), or (4)," and inserting in lieu thereof "or (4),";

(2) by inserting "or economic" after "energy"; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Funds in energy enterprise development loan funds established with grants previously approved by the Commission under this section may, upon approval of the Commission pursuant to section 303, after the date of the enactment of the Appalachian Regional Development Act Amendments of 1990, be made available for the purposes authorized in subsection (a)(3).".

**SEC. 211. AUTHORIZATION OF APPROPRIATIONS FOR GENERAL PROGRAM.**

Section 401 of the Appalachian Regional Development Act of 1965 is amended by adding at the end thereof the following: "In addition to the appropriations authorized in section 105 for administrative expenses and in section 201(g) for the Appalachian development highway system and local access roads, there is authorized to be appropriated to the Commission, to be available until expended, to carry out this Act, $37,500,000 per fiscal year for each of fiscal years 1991, 1992, and 1993.".

**SEC. 212. EXTENSION OF TERMINATION DATE.**

Section 405 of the Appalachian Regional Development Act of 1965 is amended by striking out "1982" and inserting in lieu thereof "1993".

**SEC. 213. BUY-AMERICAN REQUIREMENT.**

(a) DETERMINATION BY THE COMMISSION.—If the Appalachian Regional Commission, with the concurrence of the Secretary of Commerce and the United States Trade Representative, determines that the public interest so desires, the Commission is authorized to award to a domestic firm a contract made pursuant to the issuance of any grant made under this Act that, under the use of competitive procedures, would be awarded to a foreign firm, if—

(1) the final product of the domestic firm will be completely assembled in the United States;

(2) when completely assembled, not less than 51 percent of the final product of the domestic firm will be domestically produced; and

(3) the difference between the bids submitted by the foreign and domestic firms is not more than 6 percent.

In determining under this subsection whether the public interest so requires, the Commission shall take into account United States international obligations and trade relations.

(b) LIMITED APPLICATION.—This section shall not apply to the extent to which—

(1) such applicability would not be in the public interest;

(2) compelling national security considerations require otherwise; or

(3) the United States Trade Representative determines that such an award would be in violation of the General Agreement on Tariffs and Trade or an international agreement to which the United States is a party.

(c) LIMITATION.—This section shall apply only to contracts made related to the issuance of any grant made under this Act for which—

(1) amounts are authorized by this Act (including the amendments made by this Act) to be made available; and

(2) solicitation for bids are issued after the date of the enactment of this Act.

(d) REPORT TO CONGRESS.—The Commission shall report to the Congress on contracts covered under this section and entered into with foreign entities in fiscal years 1990 and 1991 and shall report to the Congress on the number of contracts that meet the requirements of subsection (a) but which are determined by the United States Trade Representative to be in violation of the General Agreement or an international agreement to which the United States is a party.

The Commission shall also report to the Congress on the number of contracts covered under this Act (including the amendments made by this Act) and awarded based upon the parameters of this section.

(e) DEFINITIONS.—For purposes of this section—

(1) SECRETARY.—The term "Commission" means the Appalachian Regional Commission.

(2) DOMESTIC FIRM.—The term "domestic firm" means a business entity that is incorporated in the United States and that conducts business operations in the United States.

(3) FOREIGN FIRM.—The term "foreign firm" means a business entity not described in paragraph (2).

Passed the House of Representatives April 4, 1990.

Attest: DONNALD K. ANDERSON,

*Clerk.*